# Reverse Redlining: The Financialization of Redlining and the Effects of the Housing Bubble in Cleveland, Ohio

By

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# **Abstract**

This thesis discusses the development of "reverse redlining" in the Black neighborhoods of the Cleveland East Side during the American housing bubble between the mid-1990s and early 2010s. It argues that reverse redlining was the outcome of the intersection of two major forces in American history, the development of racially segregated "redlined" neighborhoods originating in the first half of the twentieth century, and the transition of the American economy away from productive forms of capital accumulation mid-century and towards financialization beginning in the 1970s. It tracks the creation and evolution of the Black neighborhoods of Cleveland and the intervention of the federal government in housing markets during the New Deal and how redlining defined the urban social geography of Cleveland as the city experienced economic and demographic decline.

Subsequently this thesis details how the breakdown of the New Deal's system of mortgage financing combined with deregulation of financial markets and the negative long-term effects of redlining to encourage a rush of predatory mortgage lending targeted at poor Blacks beginning in the 1990s. While redlining was defined by credit scarcity aimed at denying lending to segregated Black neighborhoods, the new system of reverse-redlining was defined instead by credit abundance and inclusion aimed at proliferating predatory lending into these same neighborhoods. This system of predatory lending contributed to the growth of the American housing bubble and the Financial Crisis of 2008. This thesis also discusses the housing bubble's effect on demographic trends in Cleveland after the crisis with attention to depopulation in the East Side, white flight in the suburbs, and strategies in response to the crisis oriented around "demolition as crisis management," and alternative development strategies around the city's vacant lots.

Primary source materials consulted for this thesis are the online archives of Cleveland's largest newspaper, *The Plain Dealer*, U.S. Census data, as well as two visual databases, the American Neighborhood Change Project and the Historical Housing Unit and Urbanization Database, with the intent of examining a quantitative and qualitative approach to the demographic changes that resulted from reverse redlining and the housing bubble in the Cleveland between 2000 and 2016.

## Acknowledgements

It is not incorrect to conclude that just over twenty-seven months ago my attempt at finishing graduate school was almost certainly about to end. My efforts were plagued by persistent and crushing bouts of extreme anxiety and sagging self-esteem that made everything about graduate school seem like an insurmountable obstacle. Working on this thesis has at times felt like contemplating climbing Mt. Everest unprepared. Through all of this I have been buoyed by those who believed in me both personally and professionally.

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# Introduction

The history of Cleveland's Black community since the Great Migration during the First World War has been defined by racial, social and economic friction with the city's white community.[1] Viewed as an undesirable, malicious, and potentially even dangerous threat to public order, decency, and the prosperity of the city, the Black community of Cleveland was systematically excluded and segregated from white-majority neighborhoods and reduced to living in the increasingly overcrowded and deteriorating Cleveland East Side. These exclusionary practices initially were the reaction of local financial capital, white realtors and white homeowners who utilized a series of different strategies such as racial covenants, intimidation, and sometimes outright violence to deny Blacks access to homes in "white" neighborhoods. This form of proto-redlining became entrenched during the 1930s by the United States government's intervention in housing finance during the New Deal, intended to rescue housing markets during the Great Depression and make owner-occupied housing a priority during the economic recovery.[2] This effective entrenchment of the practices of financial capital and white homeowners as the official practice of the federal government became known as redlining, a reference to the maps produced by the Federal Housing Administration and the Home Owners' Loan Corporation to facilitate a standardization of federal practices related to insuring mortgage financing. Redlining afterwards became ingrained into the built environment of the Cleveland's East Side through the long-term processes of disinvestment and credit scarcity that redlining encouraged, degrading housing stock and suppressing home values in a manner that prevented housing markets from properly materializing in the manner they did in non-Black neighborhoods.

In part as a result of the federal government's response to the Second World War, new industrial and residential development was shifted out of the urban cores of cities such as Cleveland. With the post-war expansion of infrastructure such as the Interstate Highway System that prioritized the personal automobile, federal initiatives such as the GI Bill, and a deliberate effort to relocate industrial capital away from cities such as Cleveland and towards the Sun Belt, there was renewed momentum for suburbanization.[3] The exclusion of Blacks from most of the benefits of these federal government interventions as well as their segregation from the new suburban neighborhoods that were being built

1 This thesis includes language that contemporaneously was considered standard but in modern contexts is now considered derogatory. Such language's use in this thesis is restricted solely to circumstances where individuals are quoted.

2 Richard Rothstein. *The Color of Law.* (New York: Liveright Publishing Corporation, 2017.), 64.

3 Thomas J. Sugrue, *The Origins of the Urban Crisis.* (Princeton: Princeton University Press, 2005.), 140-1.

also precipitated the development of a long-term generational wealth disparity that further encouraged the physical and social degradation of Black neighborhoods.

Deteriorating conditions spawned escalating urban social unrest and a renewed reaction from primarily white elites, who in the case of Cleveland shifted between attempts to remove or displace the city's Black community from majority-Black neighborhoods through urban renewal projects or to discipline and suppress it through police terror.[4] Conditions degraded to the point where race riots by Blacks unwilling to continue enduring these injustices spread to Cleveland most spectacularly with the Hough Riots in 1966. Despite this social resistance redlining remained durable. White resistance to housing integration largely succeeded due to the long-term effects of entrenched economic and racial inequities. Housing segregation in Cleveland also largely survived being made illegal by the federal Fair Housing Act of 1968 because the racial wealth inequities that the policy had entrenched continued to deny Blacks the wealth necessary to exit their segregated neighborhoods.

By the 1980s the system of mortgage finance that had dominated since the New Deal was breaking down, laid low by deregulatory exuberance and the implosion of the Savings and Loans industry that had dominated mortgage finance up to that point.[5] Simultaneously there was an attack on organized labour by conservatives, intended to suppress both its power as well as the wages of American workers.[6] The New Deal financial system was replaced by an increasing reliance on securitization and financialization in the American economy, driving incentives to both borrow and lend. Suddenly mortgage issuers saw an opportunity for profit in marketing predatory financial products to Blacks, encouraged by a federal government eager to see the growth of minority owner-occupied households, in particular as a method of rejuvenating redlined majority-Black neighborhoods, as well as to grow the secondary market for mortgage-backed securities.[7] This relationship between the new financialized economy and the redlined majority-Black neighborhoods is the basis for the emergence of reverse redlining. As redlining was and is a system based around exclusion and scarcity, based around racialized social geographies, reverse redlining was and is a system based around *inclusion* and *abundance* in these same geographies. What made such a system increasingly predatory were the incentive and power structures prevailing in Cleveland and elsewhere in the United States,

4 Daniel R. Kerr, *Derelict Paradise.* (Boston: University of Massachusetts Press, 2011.), 153, 156.
5 Kevin Fox Gotham, “Creating Liquidity Out of Spatial Fixity: The Secondary Circuit of Capital and the Restructuring of the US Housing Finance System”. *Subprime Cities*, edited Manuel B. Aalbers. Malden: Blackwell Publishing Ltd., 2012.), 37.
6 David Harvey. *A Brief History of Neoliberalism.* (Oxford: University of Oxford Press., 2005.), 24.
7 Stuart A. Gabriel and Stuart S. Rosenthal. “The Causes of Increase in Homeownership in the 1990s”. *Research Institute for Housing America*. October 2003., 3.

produced in the deregulatory environment of the early 1990s and encouraged by either more or less abstract deal-making between politicians and financial capital. A deal where politicians and regulators either looked away or actively encouraged financial institutions to market predatory loans.

The exuberance of financial capital to lend, enabled by low interest rates and a booming economy in the 1990s encouraged the development of a housing bubble that accelerated its growth through into the 2000s. In their excitement to profit off of the booming global and domestic secondary market for mortgage-backed securities, lenders sought an ever increasing quantity of prospective borrowers and they found many in the redlined Black communities of the Cleveland East Side. In these historically distressed neighborhoods, mortgage agents targeted vulnerable, desperate Black home owners and prospective home owners for subprime loans, attaching predatory conditions to loans to increase their profits at the expense of these marginalized communities. Eventually many of these subprime mortgages began to fail, foreclosures increased dramatically, and the sheer weight of these loans in the American housing markets along with fraudulent financial practices could no longer hold up the over-leveraged American financial system, which spectacularly crashed during the 2008 Financial Crisis.

Rising foreclosures uprooted many residents in the Cleveland East Side as well as in the inner ring of the city's eastern suburbs, driving population declines in the East Side's Black neighborhoods and encouraging another round of white flight, this time in the city's suburbs. These demographic shifts were sometimes dramatic, shifting whole neighborhoods from being majority-white to majority-Black between 2000 and 2016, and for others allowing the influx of Blacks into some neighborhoods where their presence in housing markets was previously marginal and isolated. The national trend towards the adoption of economic austerity in the 2010s combined with the devastated local housing market to encourage a move away from credit abundance and inclusion back towards scarcity, exclusion, and disinvestment by financial capital on the Cleveland East Side, strongly indicated by an anemic recovery in home sale values post-Financial Crisis. Driven by the foreclosure crisis to adopt a sort of triage mentality regarding foreclosed and abandoned homes, local Cleveland authorities sought to deal with the crisis through condemnation and demolition of old dilapidated homes, driving continued loss of residential property in the East Side and increasing the abundance of vacant lots in these neighborhoods.

This thesis makes two principle arguments. Firstly, it expands upon Washington University sociology professor Gregory D. Squires's conceptualization of reverse redlining and Keeanga-Yamahtta

Taylor's concept of predatory inclusion articulated in *Race for Profit.*[8] It argues that in addition to specifically referring to the process of racially motivated predatory lending, that it additionally represents a historic interaction between two great forces in American history, the racially segregated urban social geographies of the United States, represented in this thesis by an extended discussion of Cleveland's East Side Black neighborhoods, and the financialization of the American economy beginning in the 1970s. This thesis argues that the development of reverse redlining represented a significant shift in the interaction between segregated Black communities and financial capital by arguing that while redlining was and is based around a system of imposed credit scarcity and exclusionary practices, with financialization and the wide expansion of securitization in American mortgage finance in the 1990s this relation shifted to one of credit *abundance* expressed through *inclusion* in credit markets and escalating predatory lending targeted at Black neighborhoods.

Secondly, this thesis argues that reverse redlining and the housing bubble have contributed significantly to a series of demographic shifts in Eastern Cleveland between 2000 and 2016. Specifically, that the housing bubble has driven a process of demographic transition in the modern inner suburbs on the East Side through a process of white flight, and an influx of Blacks migrating from the reverse redlined and depopulating Cleveland East Side. This has resulted in shifting local politics and the emergence of racial tensions in the inner suburbs familiar in Cleveland history to demographic transitions in the East Side during the 1950s and 1960s. This second argument also contends that the Cleveland East Side experienced a return to disinvestment and credit scarcity in the 2010s and a relative decline in abundance-driven forms of predatory lending defining of the housing bubble, correlating with austerity economics locally and nationally, and the rise of demolition and adoption of urban agriculture as adaptive economic measures.

This thesis is organized into three chapters, which are organized in part by chronology and in part by how the subject matter successively contributed to the creation of the precise moment in American history. Chapter one is oriented around redlining and the creation of the redlined segregated Black neighborhoods of the Cleveland East Side. It begins with a description of the emergence of the Cleveland Black community and how its fractious relationship with Cleveland's dominant white community defined the city's racialized social geographies. It continues on to discuss the influence of the federal government in the entrenchment of housing segregation through public policy decisions that piggy-backed off of local efforts to exclude Blacks from “white” neighborhoods. It concludes with a

8 Keeanga-Yamahtta Taylor, *Race for Profit.* (Chapel Hill: University of North Carolina Press, 2019.)

discussion of the outcomes of these efforts, specifically the deterioration of the Black neighborhoods of the East Side and attempts by the federal government to resolve the urban crisis through unsuccessful attempts to end *de facto* forms of redlining.

Chapter two continues this thesis's primary argument by discussing the second part of this process, which was the transition towards financialization of the American economy beginning in the 1970s. It begins with a discussion of the development of securitization as an increasingly important part of mortgage finance beginning in the 1970s and continues on to discuss how the emergence of a global secondary market for these securities combined with political factors in the 1990s to kick off a vast expansion of predatory subprime lending in the redlined Black neighborhoods initially introduced in chapter one. It ends with the Financial Crisis of 2008 and the role that reverse redlining played in political and economic developments post-crisis.

Chapter three discusses Cleveland after the financial crisis in 2008 and the role of the housing bubble and reverse redlining in the changing demographics of the Cleveland East Side and the eastern inner suburbs. The major theme of this discussion is evidence of continuity and break with the past experiences of redlining and reverse redlining, and begins with evidence of significant demographic changes in the suburban city of Euclid, Ohio towards becoming a Black-majority city and the ramifications of this process locally. It continues with the effect of reverse redlining in the Black neighborhoods of the Cleveland East Side and how depopulation drove continued neighborhood decline. It concludes with discussions about the role of housing demolition. Arguments about its role in community rejuvenation and its limitations within the context of redlining and housing segregation, as well as attempts by the local community to grapple with the ramifications of the steady deconstruction of their neighborhoods through local efforts to make use of vacant lots within the context of disinvestment and renewed credit scarcity post-reverse redlining.

This thesis makes extensive use of local media from the Cleveland area. The online archives of the city's largest remaining newspaper *The Plain Dealer* provides the largest single body of consulted primary source material for this work. Articles from these archives are utilized throughout this thesis and should be understood in two different contexts. Firstly, the subjects of the newspaper's articles, the stories told about them and what they mean for the historical processes discussed in this thesis. Secondly, *The Plain Dealer* itself as a historical subject and how it features into the narratives and processes discussed in this thesis. This thesis also utilizes U.S. Census data as a part of its demographic and economic focus. As a part of this thesis's second principal argument it utilizes two major source materials that compliment each other for its discussion of Cleveland's demographic shifts between 2000 and 2020. Firstly, the *American Neighborhood Change in the 21st Century* project which was released by the University of Minnesota Faculty of Law as a visual database in order to track population displacement, economic expansion, and decline by census tract in the United States between 2000 and 2016.[9] Intended to track gentrification and neighborhood decline, the project is utilized by this thesis as a means to discuss some of the demographic effects of the reverse redlining era and the foreclosure crisis on the Cleveland East Side and in the city's eastern inner suburbs. The project tracks a variety of subgroups quantitatively including racial demographics, population changes and changes in the relationship of populations to housing, whether it be owner-occupied housing, renting or the presence of vacant houses in a particular census tract. The second database utilized by this thesis as a part of its second principle argument is the Historical Housing Unit and Urbanization Database, or HHUU10.[10] This quantitative database provides data visualization for historical changes in the quantity of housing units according to the decennial census in the United States, enabling a better contextual understanding of the roles that demolition and redlining/disinvestment have played in reshaping the urban geographies of the Cleveland East Side.

This thesis also makes use of secondary source material, in particular in chapters one and two. There already exists a significant body of academic work that has been done on redlining and its origins. Amongst these works are Richard Rothstein's much celebrated work *The Color of Law*, whose major contribution was to analyze the federal government's role in formalizing and entrenching redlining through the public policy of federal agencies such as the Home Owners' Loan Corporation and the Federal Housing Administration. Cleveland has also spawned a significant body of academic material itself, particularly built around the city's status as an archetype of the American Rust Belt. These works include Kenneth Kusmer's *A Ghetto Takes Shape*, whose discussion of the early development of the Cleveland's East Side Black neighborhoods and the processes such as Black migration, First World War era industrialization, and early forms of "proto-redlining" are important to understanding how redlining would materialize in the specific historical contexts of the Cleveland area. Daniel R. Kerr's *Derelict Paradise*, for its particular attention to the destructive effects of urban renewal on the East Side. J. Mark Souther's *Believing in Cleveland*, with its focus on the psychological

9 "American Neighborhood Change in the 21st Century: Gentrification and Decline," University of Minnesota Faculty of Law, April 2019, accessed April 15, 2022, https://law.umn.edu/institute-metropolitan-opportunity/gentrification

10 S.N. Markley, S.R. Holloway, T.J. Hafley, M.E. Hauer. M.E. 2022. "Housing unit and urbanization estimates for the continental U.S. In consistent tract boundaries, 1940-2019. Scientific Data 0 (82), https://doi.org/10.1038/s41597-022-01184-x; For the map referenced by this thesis see, https://usg.maps.arcgis.com/apps/instant/minimalist/index.html?appid=d2e0f6f161c547b9b82696e6d36c7207

factors and effects of "decline" on Cleveland. Todd M. Michney's *Surrogate Suburbs*, for its analysis of class tensions within the Black community of the East Side. Randy Cunningham's *Democratizing Cleveland*, whose history of the Cleveland Civil Rights movement, particularly as it pertains to fair housing and anti-segregation fights and its decline in the 1970s and 1980s is a crucial facet of understanding some of the social and political dimensions of how Cleveland's Black community confronted redlining and why it persisted.[11] This thesis utilizes these sources in order to historicize the housing bubble of the 1990s and 2000s, to understand the economic, political and social processes of redlining and segregation, urban economic decline and deindustrialization, and how they interacted locally in Cleveland to create the circumstances that would later be influenced by financialization and neoliberalism beginning in the 1970s. This thesis also has utilized Keeanga-Yamahtta Taylor's *Race for Profit*, particularly her conceptualization of predatory inclusion as a framework for discussing the relationship between marginalized Black communities and their neighborhoods with private financial capital, the legacy of redlining, and the challenge of escaping disinvestment and credit scarcity in a manner that avoids racialized predatory lending. Taylor applied this concept to the activities of the federal government between the 1950s and 1980s, and this thesis applies these concepts of exclusion and inclusion to understand the relationship between private capital and Black communities in the Cleveland area during the housing bubble and the foreclosure crisis.

There is also important academic work that has been done on financialization and securitization in particular that has been important to this thesis, principally Manuel B. Aalbers's excellent edited collection of pieces *Subprime Cities*, which is specifically oriented around the emergence of mortgage financing as an increasingly critical part of American economic growth during the bubble years of the 1990s and 2000s. Chapters from this edited work referenced by this thesis include "Finance and the State in the Housing Bubble" by Hernan Schwartz, which discusses many of the political dimensions of mortgage financing in the United States both before and during the housing bubble, and Kevin Fox Gotham's "Creating Liquidity Out of Spatial Fixity" whose analysis includes a discussion of the demise of the Savings and Loans industry and the policy problems related to mortgage financing in the late 1980s created by its crash, including how it influenced the crucial move towards deregulated securities markets moving towards the new millennium. In addition, this thesis references Louis Hyman's *Debtor Nation*, which remains one of the foremost works on the history of consumer debt in the United States,

11 Kenneth Kusmer. *A Ghetto Takes Shape: Black Cleveland, 1870-1930.* (Chicago: Chicago University Press, 1978.); J. Mark Souther, *Believing in Cleveland*. (Philadelphia: Temple University Press, 2017.); Todd M. Michney. *Surrogate Suburbs*. (Chapel Hill: University of North Carolina Press, 2017.); Randy Cunningham, *Democratizing Cleveland.* (Cleveland: Belt Publishing, 2007.)

tracking many of the subtle processes that led to financialization. Greta Krippner's discussion of financialization and neoliberalism in *Capitalizing on Crisis*, whose analysis of financialization in the United States tracks the process whereby productive accumulation lost its perceived profitability compared to financial activities and the profound effect that had on the American economy in the 1980s through to the 2000s. Gregory D. Squires's works on housing segregation and redlining *The Fight for Fair Housing*, as well as for his initial articulation of reverse redlining in "Predatory Lending: Redlining in Reverse" provide a look at some of the political fights related to the Civil Rights movement that led to the Fair Housing Act of 1968, the compromises that undermined the effort to end redlining, and then details during the housing bubble how reverse redlining was being initially perceived by fair housing advocates during the height of the bubble.[12] This thesis ties together much of this scholarship on financialization and applies it to a discussion and contextualization of how these processes worked in Cleveland through the housing bubble and foreclosure crisis. Reverse redlining as a concept tied the new forms of financial predatory behavior during the housing bubble to the historic experience of redlined Black neighborhoods and their residents.

12 Manuel B. Aalbers. Subprime Cities. (Malden: Blackwell Publishing Ltd., 2012); Herman Schwartz. "Finance and the State in the Housing Bubble". *Subprime Cities*, edited Manuel B. Aalbers. Malden: Blackwell Publishing Ltd., 2012.); Louis Hyman. *Debtor Nation*. (Princeton: Princeton University Press, 2011.); Greta Krippner, *Capitalizing on Crisis.* (Cambridge: Harvard University Press, 2011.); Gregory D. Squires. *The Fight for Fair Housing.* (New York: Routledge, 2018.); Gregory D. Squires. "Predatory Lending: Redlining in Reverse" *Shelterforce*. January 1, 2005., accessed March 28, 2022, https://shelterforce.org/2005/01/01/predatory-lending-redlining-in-reverse/

## Chapter 1: Redlining and the Cleveland East Side

Chapter one is oriented around discussing the development of the Black neighborhoods of the Cleveland East Side and the origins of redlining as first the practice of local white realtors and white homeowners and secondly a systematic exclusion of Blacks from access to mortgage lending as a result of the interventions of the federal government during the New Deal. This will include discussion of some of the strategies utilized by whites to exclude Blacks initially from "white" neighborhoods, including racial covenants and sometimes violent intimidation. It will then discuss the emergence of suburbanization after the Second World War, post-war Cleveland race relations, and the effects of redlining on the East Side.

This chapter will then discuss the emergence of the Civil Right movement, its focus on housing, and the urban unrest that eventually would lead to the Hough Riots in 1966 and indirectly the election of Cleveland's first Black mayor. As a part of this thread chapter one will also discuss some of the efforts at the federal level to make redlining illegal as a response to urban unrest and how this process ended up incomplete and unable to deal with the then entrenched system of redlining and housing segregation that dominated the social geographies of major cities such as Cleveland. It concludes with a discussion of the demographic and economic decline of the city of Cleveland through the 1960s and especially the 1970s, with particular attention paid to the relative decline of the Civil Rights movement and local organizing around housing in Cleveland.

The city of Cleveland ballooned in population over the course of the nineteenth century. With the expulsion of indigenous peoples from Ohio by the federal government by 1850, and the completion of the Ohio and Erie Canal in the early 1830s, the city steadily transformed from a village of a few thousand to a rapidly growing industrial centre of 90,000 by 1870. By the census of 1910 the population of the city was measured at just over 560,000.[1] From Cleveland's very early beginnings there had always been a local Black community but it remained proportionally consistent, always averaging between 1% and 2% of the city's overall population until the 1910s.[2] In these early years the city's Black community's experience of racial discrimination was little different compared to the rest in the American north east, but by 1890 the housing segregation that would later become a defining feature of the community's collective experience had not yet become endemic to Cleveland.[3]

1 Kusmer. *A Ghetto Takes Shape*, 10.
2 Ibid., 10.
3 Ibid., 13.

Initially the formation of a cohesive Black neighborhood was slowed by a combination of forces. Firstly, the city's industrial growth required enormous amount of new labour. And secondly were technological limitations that required these labourers to live close to their work places. This situation mirrored similar American cities, with some exceptions, in the industrializing north-east and west of the country.[4] This state of affairs that persisted during early industrialization changed as new technologies significantly boosted the mobility of the urban American population. The introduction of the omnibus, electrified streetcar and later elevated light rail systems and subways broke apart these spatial and class relationships by allowing populations to live increasingly further away from their places of employment.[5] Increasingly, American cities (Cleveland among them) became places geographically defined into separated zones of residential, commercial and industrial life at the beginning of the twentieth century, tied together through a web of economic relationships.

In Cleveland this took the form of the development of an industrial belt along the Cuyahoga River Valley and clearly defined financial and commercial districts along Euclid Street and Superior Avenue.[6] But a primary outcome of these developments became a steady exodus of the city's upper classes from the urban centre outwards towards what were becoming the first suburbs in the Cleveland area, driven by a desire to avoid the pollution and noise of the industrializing city, and to separate themselves from the increasing population of immigrants, both Black and non-Black. In Cleveland as new populations moved into the city's East Side its existing native-born upper-class white residents began to move further eastwards and northwards, away from the city centre and towards what they considered as more tranquil and secure residential settings.[7]

Most Black newcomers during the late nineteenth century to Cleveland settled around the Central Avenue District, an area where there had been a previously existing Black community since before the American Civil War.[8] This area of settlement expanded by 1910 towards the north, south and east, where they came to border the wealthy white communities to the north on the other side of Euclid Street and the important north/south route East 55th Street to the East. Cleveland's growing industrial district in the Cuyahoga River Valley prevented the extension of a residential neighborhood to the west, creating what would become the geographic contours of the future “Black” neighborhood

4 Ibid., 36.
5 Cleveland installed omnibus and electrified streetcar systems before the First World War, but light rail systems came post-war and a subway system was never developed for the city, delaying the beginning of suburbanization until after the 1920s. See Kusmer, 35-6.
6 Ibid., 36.
7 Ibid., 37-8.
8 Ibid., 41.

on the east side of the city.[9]

Black residency in Cleveland was not intentionally segregated to a strict geography in the same sort of manner as in Chicago during this period, however Blacks increasingly experienced prejudicial treatment from prospective property sellers who denied them the ability to purchase homes in most neighborhoods, forcing them towards Black majority census tracts in the city.[10] In 1908 *The Plain Dealer* wrote and published an article rather directly titled "Cleveland's Race Problem" which described the increasing issues surrounding the escalating segregation of life for Blacks in the city. Starting off by stating how the issues surrounding race were "seldom discussed and only on rare occasions does it find its way into print," the article at length discussed mounting problems of simple access to non-segregated services for Blacks anywhere but within the "sections of the city occupied by coloured families." The city was about to host the National Education Association and its Black members were, with some exceptions, certainly about to be denied services by white businesses in a way that would in the words of *The Plain Dealer*, "reveal the fact that the barriers against the negro are nearly as high in Cleveland as in any city in the south."[11]

One increasingly common method of denying Blacks access to housing in white neighborhoods in the growing suburbs were racial covenants. Racial covenants were developed as a sort of contract imposed on a property buyer that stipulated that the bought property could not be then sold to, in the language of one such covenant, "any person or persons not of the White or Caucasian race."[12] A language that was broadly applied to what were then considered non-white immigrants (such as Eastern Europeans, Southern Europeans, etc.), Jews, and Blacks. In Cleveland, according to a branch report of the NAACP housing by 1914 the city was experiencing a "noticeable tendency toward inserting clauses in real estate deeds restricting the transfer of property to colored people, Jews, and foreigners generally."[13] One advertisement from a developer of Forest Hill in Cleveland proudly proclaimed that their allotment provides "surroundings... where your neighbors are inevitably people of tastes in common with yours... The careful restrictions placed on Forest Hill today will never be lowered."[14]

Racial covenants in residential property deals were later defended and protected by the United

9 Ibid.

10 Ibid.

11 "Cleveland's Race Problem," *The Plain Dealer,* May 3, 1908, Accessed, May 9, 2022.

12 Matt Martin and Jason Reece. "Redlined, The History of Race and Real Estate in Cleveland and Its Relationship to Health Equity Today." An Interim Findings Working Session with the Place Matters Team for Cuyahoga County. Brooklyn, Ohio. April 14, 2014., https://teachingcleveland.org/wp-content/uploads/2017/09/History-of-Race-and-Real-Estate-in-Cleveland-Ohio-by-the-Kirwan-Institute-2014.pdf

13 Ibid.

14 As quoted in Ibid.

States Supreme Court by unanimous decision in *Corrigan v Buckley* in 1926, and would continue to be protected by this legal precedent until *Shelley v Kraemer* in 1948 finally ended legal protections for racial covenants in residential property transactions. In 1939 the Home Owners' Loan Corporation's (HOLC) evaluators gave the Lee-Harvard area's most northerly area an "A" rating, the strongest endorsement that HOLC's appraisals could give and one of the few neighborhoods with such a high rating in Cleveland, specifically because of its "rigid" restrictions on zoning and deeds.[15] Racial covenants became a crucial part of the informal system of housing segregation that would later influence the development of redlining.

By the beginning of the First World War the social and economic mechanisms were already erected that guided the development of the Cleveland East Side's Black neighborhood through the first Great Migration. In 1908 *The Plain Dealer* had remarked in "Cleveland's Race Problem" that "the coloured population is so small that there never will be any great problem here such as there is in southern cities," however, after the beginning of the war in Europe a flood of Black migrants began to move north, pulled to the north-east's industrialized city centres by a war-related labour shortage and the continuing exponential growth of American industry.[16] Cleveland became a destination for tens of thousands of Black migrants fleeing a combination of factors. The southern agricultural economy was in a state of crisis during the early twentieth century. Boll weevil infestations devastated cotton crops, hitting vulnerable poor Black farmers the hardest and fully encompassing all cotton-growing areas of the United States by the 1920s.[17] Losses to boll weevils in 1921 alone would amount to 6,277,000 bales of cotton and $610 million.[18] This along with the reduction of most Black farmers to tenants for southern white landowners since the end of Reconstruction convinced many to finally take a chance on migration.

Average wages in the south were somewhere between $1.10 and $1.25 per day, while some Blacks working in Cleveland's factories as unskilled labourers could sometimes make three times that number.[19] "Four dollars a day for common labor is the story that gets attention. No such wages were ever heard of in the south," proclaimed an article in *The Plain Dealer* in 1917.[20] An initial trickle became a flood as word spread from the first Black migrants back to their families down south,

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15 Michney. *Surrogate Suburbs*, 125.
16 "Cleveland's Race Problem," *The Plain Dealer.*
17 Kusmer, *A Ghetto Takes Shape*, 158.
18 "Boll Weevil Cost 610 Million in '21", *The Plain Dealer*, September 4, 1922, Accessed, May 10, 2022.
19 Kusmer, *A Ghetto Takes Shape*, 159.
20 A. E. McKeye, "North Busy With Problem Caused By Negro Influx," *The Plain Dealer*, May 8, 1917, Accessed May 10, 2022.

encouraging them to join them up north. Cleveland's Black population grew from the ~1-2% that it had been for decades to 4.3% of the city's population in 1920, a growth of 307.8% from the 1910 census, and then again to 8% of the city's population in 1930, a further growth of 108.3%. In raw numbers, the Black population was noted in the 1910 census at 8,448 individuals while by 1930 this number had jumped to 71,899.[21]

Housing segregation accelerated as more and more migrants attempted to relocate into what became a smaller portion of Cleveland's urban geography. The number of census tracts in the city where there were no Blacks at all increased from seventeen to thirty-eight between 1910 and 1920, and then increased again to forty-seven by 1930. In 1910 there was only one census tract where Blacks were more than 10% of the population, by 1930 there were seventeen where Blacks were at least 50% of the population.[22] Growth in the Black population of the city caused severe housing shortages as residential units in white neighborhoods of the city were systematically denied to Black families, forcing the newcomers into the increasingly overcrowded Black neighborhoods of the Cleveland east side.[23] Articles in *The Plain Dealer* remarked on this growing problem of housing for the new Black migrants, with one quoting Philmore J. Haber of the city welfare department that "61% per cent. of the men in the workhouse at Warrensville are negroes and that of 100 women, sixty-six are negroes." This compared to about 10% before the migrations started.[24] Unlucky Black families took to "living in old railroad cars, abandoned buildings, shacks and under tents..." according to the *Cleveland Gazette*, while landlords in the city began targeting Blacks for higher rents when there were available vacancies.[25] "Every possible space that could be converted into living quarters in the colored districts is in use. Basements, store rooms and [attics], even stables and in one or two sections... are used as shelters," said another article in *The Plain Dealer*.[26] In temporary tent lodgings new Black migrants suffered so many cases of pneumonia in 1917 that the Health Commissioner was brought in to attend to the issue.[27]

Where whites did allow Blacks to rent and purchase space outside of the East Side Black neighborhoods it spawned racial tensions, although not "massive resistance." Cleveland did not see the sort of spectacular race riots like Omaha, Chicago and other cities during the Red Summer of 1919, but

21 Kusmer, *A Ghetto Takes Shape*, 10.
22 Ibid., 162.
23 Ibid., 166.
24 "Housing is Named as Negroes' Need," *The Plain Dealer*, August 4, 1917, Accessed, May 10, 2022.
25 Kusmer, *A Ghetto Takes Shape*, 166.
26 Grace Goulder, "Negroes Organize To Provide Homes," *The Plain Dealer*, September 12, 1917, Accessed, May 10, 2022.
27 McKeye, "North Busy With Problem Caused By Negro Influx."

white resistance to Blacks moving into white neighborhoods did involve sporadic incidents such as smashed windows, and damaged porches, fences and garages. There were also cases of levied threats and unsubtle reminders of violence in other cities issued to Black families who attempted to take residence outside of the confines of the city's Black neighborhoods.[28] Importantly, Black families who attempted to move into white neighborhoods often did not receive the protection of the state when faced with the prospect of discrimination and violence. In 1926 a Black family who attempted to take ownership of a home in Garfield Heights were confronted by a white mob who threatened violence if they remained there. When the family sought the protection of the local mayor of Garfield Heights, the mayor responded by arguing that police guards would be too expensive, remarking that "colored people had no right to purchase such a nice home."[29] The local NAACP attempted to take the matter to the governor of Ohio, and when that effort failed the family abandoned their home in face of continuing threats.[30] A Black doctor's home that had been built in Shaker Heights was the target of white arsonists, who attempted to burn down his garage, an indication that even affluent Black families were not welcomed in white neighborhoods. While the mayor of Shaker Heights responded by sending police to protect the home, the police assigned responded by searching the doctor and his family every time they entered and exited their residence.[31]

The Wall Street Crash of 1929 and the Great Depression ended the first significant burst of Black migration to the city of Cleveland. After decades of rapid expansion the American economy went into free fall as first finance and then productive capital were devastated by the crash. Desperate to stem the consequences of rising foreclosures, evictions, and increasing homelessness in the country, Congress passed the Emergency Relief and Construction Act. This act of Congress created a government agency tasked with providing loans to private capital in order to buy then bank-owned foreclosed properties that plagued the inner cities of America and "rebuild" them.[32] Essentially a bail out aimed at protecting financial capital and the country's devastated construction industry, the act also facilitated another long-term project of many local elites, the demolition of slums. In Cleveland, slum demolition took aim at the city's Black neighborhoods on the East Side and other aging, dilapidated immigrant neighborhoods in the city, which the city's elites viewed as a blight that threatened to "reduce property values," spread disease and crime.[33] The Emergency Relief and Construction Act

28 Ibid., 167.
29 Ibid., 171-2.
30 Ibid., 171-2.
31 Ibid., 168.
32 Kerr, *Derelict Paradise*, 93.
33 Ibid., 94-8.

eventually only managed to finance a redevelopment in New York City, but other New Deal Programs rapidly took its place.[34]

An example of one of these additional programs was the National Industrial Recovery Act. Passed by Congress in 1933 the Act established the Public Works Administration Housing Division, which would provide lending to private and public institutions in order to redevelop them as public housing. Supporters of slum clearances in Cleveland then launched a significant public relations effort that produced surveys based around Civil Works Administration data that redefined vast swathes of the city as slums, including the city's Black neighborhoods along with its majority immigrant neighborhoods.[35] In 1934 a *Plain Dealer* article detailed one of these CWA surveys completed by a consultant at the federal Housing Division detailing the tax benefits of clearing a slum in Cleveland between East 21st and East 55th Streets and bordered by Woodland and Central Avenue. The article largely described what they considered to be a "blighted area," an area that in the words of the consultant Howard W. Green was, "economically... not self-supporting," a reference to the area's inability to produce enough tax revenues for its own public services and, "has deteriorated to the point of being an actual social and moral menace to the community."[36] City council later would produce a study titled "An Analysis of a Slum Area in Cleveland" and conducted in part also by Green that produced, according to Daniel Kerr in *Derelict Paradise,* "a misleading argument" that echoed the CWA survey on the slum detailed in the *Plain Dealer* article. In it the slums were portrayed as a weight on taxpayers in the city and that the slums stood in the way of "economic revitalization".[37] City officials ran with this argument and reoriented the direction of these projects, aiming them away from protecting residents from the slums they lived in and towards "saving the taxpayers money."[38]

This reorientation of public policy reflected an increasing desire on the part of city elites to not merely remove Cleveland's slums but also to potentially displace the people who lived there in a desire to "protect taxpayers" and "protect property values." Even a paltry presence of Black families in a neighborhood was considered to have undermined the underlying economic value of a community. Demolition of slums and public housing construction efforts in the mid to late 1930s therefore rapidly became efforts on the part of local authorities to segregate public housing in the city of Cleveland, enabled through demolishing local Black-occupied homes and replacing them with segregated public

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34 Ibid., 93-4.
35 Ibid., 94.
36 James G. Monnett, Jr., "Proves Saving By Slum Clearance," *The Plain Dealer*, April 4, 1934, Accessed, May 10, 2022.
37 Kerr, *Derelict Paradise*, 94.
38 Ibid.

housing for the white middle-class.[39] A major slum clearance project was the Cedar-Central project which was to stretch between East 22nd and East 107th Street on the East Side of the city. From the beginning the project was imagined as a mechanism to encourage whites to move back into the central parts of the city while moving the local Black residents out towards the outskirts of the city.[40] Questions were asked regarding what would come of the displaced residents of the slum to which federal public housing overseer Horatio Hackett suggested that they could be moved to "subsistence dwellings on the edge of cities."[41] Official segregation was fought by local activist groups such as the Cleveland chapter of the NAACP, but local public housing authorities sought to continue the practice by pricing public housing units in a manner that would exclude Blacks from the new projects.[42] This tactic of attempting to price out "undesirable" populations from public housing could be controversial and problematic because during the 1930s a significant portion of the non-Black population similarly required access to it during the Depression. Declaring "that 1/3rd of the nation remained ill-housed," Nathan Straus, the new head of the federal housing authority in late 1937 committed the federal agency to "lower rentals and a rigid policy of admitting "slum dwellers" only."[43] But local proponents of segregating public housing projects would succeed in getting their way not by strictly denying Blacks access to public housing, but by shepherding them into specifically segregated projects, such as how Blacks who applied for the Cedar-Central project were passed on to a separate, segregated project, Outhwaite.[44] By November of 1939, the segregated Black public housing project at Outhwaite had a wait list of 400, while Cedar-Central had a list of 2,000.[45]

By the end of the Second World War, there was a significant shift in direction in housing policy. Instead of focusing on the implementation of segregation in public housing in the urban core, proponents of housing segregation reoriented instead towards expansion of owner-occupied housing in the suburbs as a white-dominated space and abandoned public housing as a mechanism to achieve these ends. The geopolitical shift of the United States towards anti-communism brought with it new rhetorical tools for segregationists to counter the efforts of activist networks who were fighting locally and nationally to integrate, or in some cases reintegrate, the country's urban spaces. An example of this during the early 1950s was the tarring of public housing efforts in Los Angeles as "socialistic projects"

39 Ibid., 100-1.
40 Ibid., 96-7.
41 Ibid., 97.
42 Ibid., 101.
43 "Calls Low Cost Housing Too High," *The Plain Dealer*, November 4, 1937, Accessed May 10, 2022.
44 Kerr, *Derelict Paradise*, 102.
45 John P. Leacacos, "City's Authority To Lease Housing," *The Plain Dealer*, November 12, 1939, Accessed, May 10, 2022.

and the suggestion that the liberal mayor of the city and public housing advocates in the local housing authorities were themselves communists.[46] Similar rhetoric was deployed against public housing projects by Dearborn, Michigan mayor Orville Hubbard, first elected in 1941 and re-elected another thirteen times, who used a combination of anti-communism and desire to keep Dearborn "lily white" to lead strong resistance to efforts to build public housing in the city during the Second World War.[47] *The Plain Dealer* in Cleveland actually defended public housing projects, to a point, from accusations that they were fundamentally socialist. In a 1953 piece the paper's editorial board wrote, "...but we maintain that public [housing], as it is presently conceived, is not socialism," and that public housing was not socialist so long as it remained "for a limited number who now must live in diseased areas of our big cities because private enterprise cannot supply them with decent housing which they could afford."[48] Local defeats for public housing would eventually circle back politically to the national level, where for some time public housing projects marketed as low rent for low income families would remain politically palatable after the Second World War, with bipartisan coalitions in Congress being successfully built around its expansion.[49] However these projects would steadily dwindle in size and scope.

The defeat of public housing as an alternative method to provide housing during the post-war housing shortages in the 1950s had long term consequences for American housing policy as it increasingly became focused around the owner-occupier single family household as the fundamental tool of housing policy in the country. Public housing projects continued to persist into the future, but they became racialized as homes for non-whites in neighborhoods beleaguered by crime, drugs, poverty, and other vices, as suggested by *The Plain Dealer* article published in 1953 attempting to defend them. As national policy shifted towards home-ownership as the preferred method to combat housing shortages it respected what at that point were long-standing traditions of denying access to non-whites in the rapidly growing suburbs. The post-war period saw another significant burst of internal migration of Blacks from the south into the north-east and western United States, and these new migrants found difficulty in establishing themselves outside of the East Side. Even in the inner cities however, Blacks and other discriminated populations were systematically denied access to state-assistance when pursuing housing through the process of redlining.

46 Don Parson, "Los Angeles' "Headline-Happy War on Public Housing." *Southern California Quarterly*, Vol. 65, No. 3 (Fall 1983): 251.
47 Sugrue, *The Origins of the Urban Crisis*, 76.
48 "This is Not Socialism," *The Plain Dealer*, December 20, 1953, Accessed May 10, 2022.
49 "G.O.P. Senators Climb on Democrats' Housing Wagon," *The Plain Dealer,* December 1, 1948, Accessed, May 10, 2022.

Redlining as official policy originated as a part of the New Deal. Traditionally, historical scholarship has pointed to the map making projects initiated by the Home Owners' Loan Corporation (HOLC) as the principle culprit in the initiation of redlining, but recently this narrative has been challenged. The federal government had attempted to encourage home ownership since the First World War, but by the 1930s this project had been frustrated by the high price of down payments and an insufficiently large credit market for home mortgages depriving even most white middle-class families of access to home ownership.[50] The economic devastation of the Great Depression made this problem worse and the Roosevelt administration responded with the creation of HOLC in June of 1933 tasking it with protecting existing homeowners by both purchasing existing mortgages facing foreclosure and offering new mortgages on extended repayment schedules favorable to borrowers. Beginning in August 1935 as a part of ensuring repayment of these extended term mortgages HOLC developed a system of maps of all metropolitan regions in the United States in order to manage risk for its considerable portfolio of loans that had accumulated since the beginning of the program and managing resale into local housing markets.[51] These maps used a now infamous colour-coded system of determining HOLC's potential exposure dependent on the location of the home in question.[52] The safest regions were coded green while the riskiest regions were coloured red. As a part of HOLC's system of appraisals the presence of any Blacks in a locality was immediately considered reason for a region to be coloured red and systematically denied access to HOLC's mortgage refinancing program.

While HOLC was tasked with rescuing underwater home owners during the Great Depression the Federal Government created the Federal Housing Administration (FHA) in 1934 to help first time homeowners. FHA's appraisal standards included a whites-only requirement, making the FHA's mortgage insurance program officially segregated.[53] Scholarship on this subject has prioritized discussion of the HOLC maps as a major influence on the actions of the FHA and private mortgage issuers. However, it is now clear from recent work that the FHA and private sector were engaging in redlining practices prior to the drawing of the maps.[54] In addition, it is also uncertain whether the maps were ever made available to the private sector during the 1930s, when the bulk of HOLC's work was done, or that the FHA's conduct shifted to a significant degree after HOLC's maps were made available

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50 Rothstein. *The Color of Law*, 63.

51 Price V. Fishback, Jonathan Rose, Kenneth A. Snowden, Thomas Storrs. "New Evidence on Redlining By Federal Housing Programs in the 1930s" *National Bureau of Economic Research*. (September 2021.), 7, http://www.nber.org/papers/w29244

52 Rothstein, *The Color of Law*, 63.

53 Ibid., 65.

54 Fishback et all., "New Evidence on Redlining By Federal Housing Programs in the 1930s," 3.

to them after they were drawn.[55] According to a working paper published by a group of scholars at the National Bureau of Economic Research the FHA had already crafted and established its own methodology for the implementation of redlining before the HOLC maps were even crafted.[56] It is also of note that HOLC's maps did not even inform their own work as 90% of its loans were successfully refinanced prior to their creation.[57]

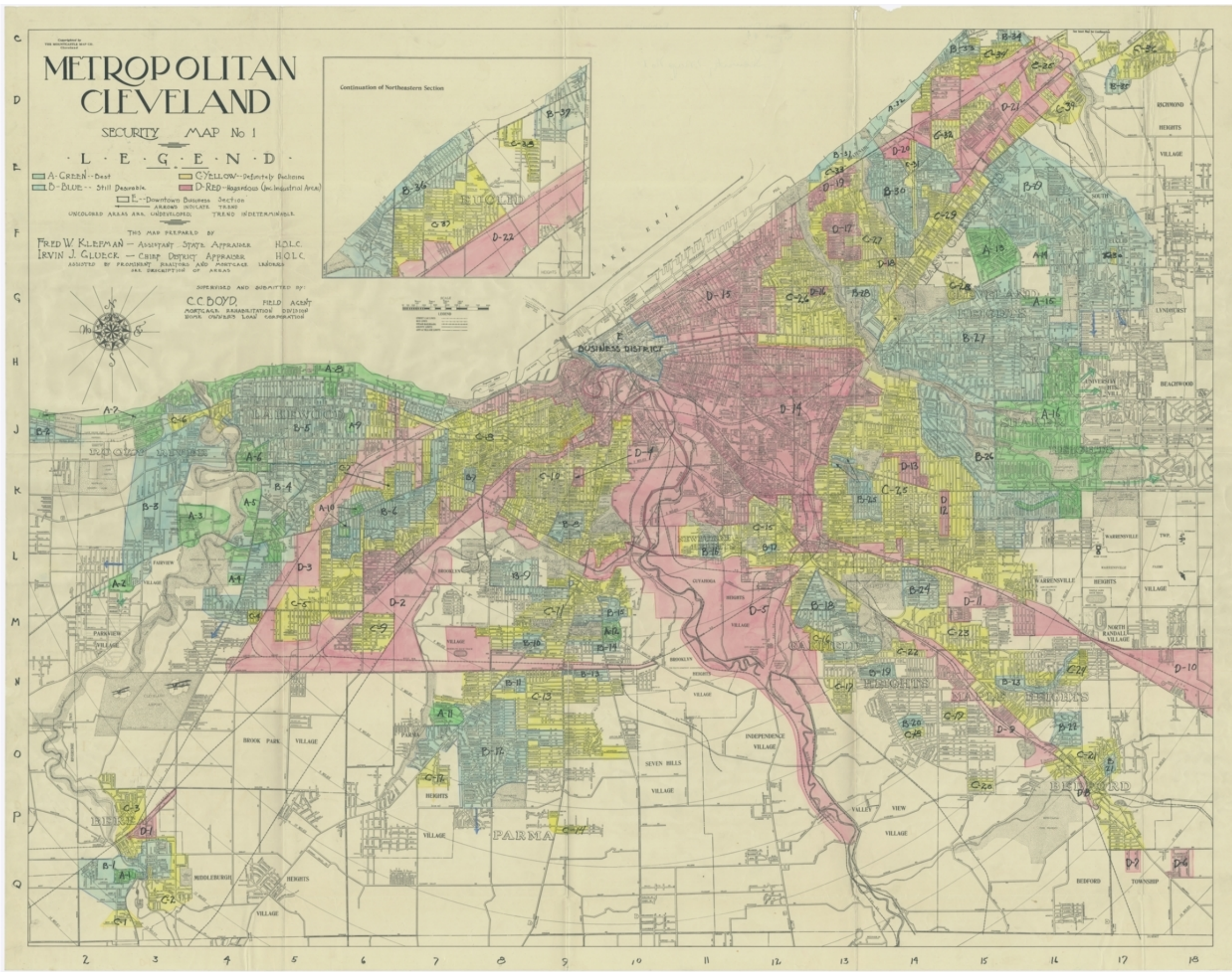


*Figure 1.1: Map of "Metropolitan Cleveland" by the Home Owners' Loan Corporation (1936)*[58]

The scholarly argument over which New Deal agency spawned official forms of redlining in the United States underlies the reality that for the most part both agencies, the FHA and HOLC, were

55 Ibid.
56 Ibid.
57 Ibid., 3.
58 Home Owners' Loan Corporation. Metropolitan Cleveland Security Map No. 1 [map]. 1936. Scale not given. "Redlining Maps." The Ohio State University Library. https://guides.osu.edu/maps/redlining, (accessed July 11, 2022).

operating under already preconceived notions generated in the 1920s from private real estate practices that prioritized neighborhood quality.[59] Neither agency had been ordered by legislation to implement redlining as part of their official practices. Since "neighborhood quality" was an abstract concept dependent on a significant quantity of subjective opinions of desirability the preconceived notions of local real estate professionals and academics, often racist and prejudicial towards non-whites, was crucial in guiding how these agencies would fulfill their mandates.[60] Thus it created the impetus for redlining to be adopted and systematized as the official policy of the United States government.

While Black neighborhoods were being systematically denied credit for mortgages, whites received the full benefit of the federal government's efforts at increasing the amount of families in owner-occupied single family households. Quoting historian Louis Hyman in *Debtor Nation,* "being white made a household 3.69 times as likely to have a federally insured mortgage."[61] This discrepancy over a span of decades contributed to further expand a growing wealth gap between whites and Blacks. It created generational wealth and elevated millions of whites into the American middle-class, while holding Blacks in place or even shrinking their capacity to do the same from generation to generation as their redlined neighborhoods deteriorated. These decisions made during the 1930s, 1940s and 1950s had long-term consequences for racial equality in the United States.

The codification of efforts to segregate housing into federal policy coincided in the post-war period with the most extensive period of suburbanization in American history. The first wave of suburbanization before the First World War had been made possible through the development of new technologies that enhanced the mobility of Americans, allowing them to live away from their work places. The second wave depended on a shift of public policy that encouraged residential and industrial development outside of the city centre, such as the construction of the Interstate Highway System, the passage of the GI Bill, as well as a general desire on the part of Americans after the Second World War to buy larger homes away from the urban core. During the Second World War federal military-industrial policy encouraged industrial capital to move plants away from the already established industrial centres of the American north-east as a means of hardening the country's industrial base against potential air attack. During the early Cold War this policy was continued to defend industrial production from nuclear attack.[62] This process of industrial "decentralization" once launched held its momentum. From the height of the Second World War into the first decades of the Cold War the

59 Fishback et all., "New Evidence on Redlining By Federal Housing Programs in the 1930s," 6-7.
60 Ibid.
61 Hyman. *Debtor Nation*, 141.
62 Sugrue, *Origins of the Urban Crisis*, 140-1.

country's industrial firms increasingly relocated their plants out into either the suburbs or out of state into the emerging economies of the Sun Belt.[63] This resulted in either the relocation or outright disappearance of tens of thousands of jobs from the cities of the north-east thus dealing a blow against organized labour in the region and creating an economic vacuum that would not be filled.

Suburbanization offered an opportunity for white middle-class Americans to escape the city. During the 1930s and early 1940s Cleveland's elite believed that slum clearances and the rehabilitation of the city's inner core through urban renewal projects were important to the city's future. However by the 1950s their focus shifted. Opposition to suburban development in Cleveland was finally broken by the city's construction and development industries and war-time restrictions on suburban investments were finally lifted.[64] Suburban development in the Cleveland area skyrocketed post-war and 60,000 new housing units were constructed by 1952.[65] In its report on the 1960 census, which showed Cleveland losing population for the first time, *The Plain Dealer* noted, "Cleveland's population decline and suburban growth represent an effort of people to get away from big-city noise, smoke, congestion and inadequate housing to open suburban areas."[66] Moving to the suburbs also allowed whites to leave behind what many perceived to be the dangerous racial social relations and crime of the city. Most of these new suburbanites were themselves formerly residents of what had been new developments during the first suburbanization wave around the First World War.[67]

In neighborhoods like Hough, which at the beginning of the 1950s were still overwhelmingly white, the residents took the opportunity to leave for the suburbs. Within just a few years these communities saw substantial demographic shifts as white residents left for the suburbs renting their former residences to Black families desperate to find housing outside of the cramped confines of the East Side. In 1950, Hough had over 65,000 residents and was still 95% white; by the middle of the decade the neighborhood had over 82,000 residents and was over 60% Black.[68] An oral interview with Diana Woodbridge, a then resident of Cleveland Heights, detailed some of the process as to how private capital could play on some of the racial anxieties of white residents in ways which could drive forward the process of white flight from integrating neighborhoods:

> And we said we think it should be different. You know, people need to learn to

63 Ibid., 138-9.
64 Kerr, *Derelict Paradise*, 124
65 Ibid., 125.
66 Leonard A. Vitcha, "Exodus From City Means More, Bigger Suburb Headaches," *The Plain Dealer*, May 30, 1960, Accessed, May 11, 2022.
67 Kerr, *Derelict Paradise*, 125.
68 Ibid., 148.

> live together. We had – the sessions studied a confession of the church called The Confession of 1967 that talked about reconciliation and the need for people to be reconciled one with another. And race was one of the issues of reconciliation. So was male, female and, you know, others. But race was a big one, and it was the one that touched our hearts. And we wanted Cleveland Heights to be a community where people could live together, where there would be a free flow. I remember, you know, real estate companies dumping out Black kids to go knocking on the door and say, you know, community, you know. You walk up and down the street and then the realtor would follow and knock on the door and say, "you know, your community is going to integrate. Black people are moving in. Don't you want to list your house?" You know, that that kind of really blatant stuff and it really did. Blockbusting and steering really did happen. There was a Black family moved in around the corner on Northampton from us, and shortly after moving in their garage was set on fire by people who didn't want them there, that kind of thing.[69]

As these communities transformed demographically Daniel Kerr's *Derelict Paradise* suggests that the impression of Cleveland's elite institutions towards the neighborhood shifted abruptly. The city's local press began to refer to Hough as "crime-infested" and local councilwoman Margaret McCaffery referred to a "reign of terror" in the community directed by "roving hoodlum gangs."[70] McCaffery herself was forced to move repeatedly by the end of the 1950s because local landlords were noticing the desperate demand from Blacks to rent in Hough and using it as pretext to hike rents in the neighborhood.[71] The impression of a neighborhood facing a crime wave that was rapidly shifting demographically helped create a renewed interest in urban renewal projects in the area aimed at "saving the neighborhood." The city let loose the police and housing code inspectors in the area selectively enforcing laws to come down particularly hard on Hough's new Black residents. City officials also sought to reduce the price, both financial and political, of these efforts through a variety of methods, including sponsoring a project that would have expanded the University Circle district just to the east of Hough. The project's head, Oliver Brooks asserted that the primary problem with Hough was that its residents were "predominantly negroes."[72] Other methods attempted included an effort led by the mayor that deliberately started fires to burn abandoned buildings down; while another was an intentional scheme initiated by the police to reduce local property values through allowing prostitution

69 "Diana Woodbridge interview, 15 July 2013," *Cleveland Voices*, accessed April 2, 2022, https://clevelandvoices.org/items/show/2432
70 Kerr, *Derelict Paradise*, 151; McCaffery represented Hough on the Cleveland city council after running for and winning her deceased husband's seat in 1948.
71 Souther, *Believing in Cleveland*, 51-2.
72 Kerr, *Derelict Paradise*, 153.

to thrive in the community.[73]

Todd Michney's impression of post-war Cleveland race relations in *Surrogate Suburbs* however, suggests that at least compared to neighboring Chicago and Detroit that the city's reputation for relatively placid race relations was not entirely incorrect, although certainly requires more historical context. Michney notes that during the 1950s Cleveland had a reputation for racial liberalism, certainly encouraged by the city's leadership, that was largely the outcome of efforts made by city officials and other elites to attempt to de-escalate conflicts that arose. While incidents occurred, as discussed above, they were never organized in a manner that enabled the sort of “massive resistance” that would be deployed by whites in Chicago and Detroit, among a series of other American cities.[74] As the Diana Woodbridge interview demonstrated as well, there were whites who also genuinely desired to try to make racial integration work in Cleveland as well. White flight did occur, but it happened in the context of what Michney's refers to as “undefended” neighborhoods, where whites largely responded to the increasing Black presence in places such as Hough by taking advantage of the segregated suburbs.[75] They did not necessarily perceive the need to fight for Hough, they could just move to then-opening suburban cities such as Parma and Euclid instead. In addition, the complex white ethnic composition of Cleveland also led to many neighborhoods falling afoul of the federal government's FHA and HOLC redlining maps, leading to working-class white communities becoming easier pathways out of the East Side Black neighborhoods for in particular middle-class Blacks.[76] In the case of the city government intervening in Hough, the dynamics that elites perceived in the neighborhood had changed once its racial demographics had already shifted towards becoming majority-Black; in their opinion this required them to alter policy towards a more disciplinary approach.

A front page article of the Sunday edition of *The Plain Dealer* in late 1965 tied together many of these forces at play in Hough during the mid-1960s when it pointed out that local residents were increasingly unable to secure fire insurance, a significant problem in a neighborhood facing a growing issue with arson. “I live in faith that nothing will happen,” said Mrs. Gabel at the time who had been priced out of insurance for her and her husband's home. The couple lived on Social Security incomes, amounting to $150 a month, and fire insurance was going to cost them $37 a month just on its own. What *The Plain Dealer* was describing was one of the many manifestations of how redlining functioned in practice on the East Side. Insurance companies canceled their policies for Black

73 Ibid., 155.
74 Michney, *Surrogate Suburbs*, 8-9.
75 Ibid., 9.
76 Ibid.

neighborhoods, leaving a smaller number of companies or, in the case of the Gabels, one remaining insurer who took their opportunity to drive up rates. "You need a lending institution, but there certainly will be no commitment from banks for loans without insurance on the property," said Marvin N. Halpern, secretary to the Cleveland urban renewal director. The behavior of local insurers also kneecapped efforts at housing rehabilitation in Hough as home owners without fire insurance were unable to secure credit.[77]

All of this came to climax in 1966 with the Hough riots. A grand jury investigation after the riots concluded that they were instigated by "outside agitators" and city officials subsequently attempted to blame Black nationalist groups, the Communists, and the Black Panthers more specifically, despite them having no local chapter. A simpler conclusion that was made regarding the cause of the riots was that they were instigated by a variety of factors linked to the targeting of the area by local police, failed urban renewal schemes, and the effects of redlining.[78] A year later in 1967, Carl B. Stokes was elected as the first Black mayor of Cleveland in large part as a response to the riots. Local business leaders held an uneasy political arrangement with Stokes, tacitly evoking the city elite's more conciliatory approach towards race relations. Stokes promised reform and desired to see the rehabilitation of the working class Black neighborhoods of the city's east side. Local white business leaders felt that Stokes could help return Cleveland back to the more placid race relations of the 1950s. The local Democratic Executive Committee also unanimously backed Stokes at nomination before his election thus giving him wider political credibility in a post-riot environment.[79] This arrangement remained in place so long as Stokes was able to keep the peace; therefore it fell apart after the Glenville shootout in July of 1968, leading to local white business leadership ditching Stokes's hand-picked successor and eventually the election of Republican Ralph Perk in 1971.[80] Perk had campaigned significantly in white wards of the city and implemented an agenda, according to Daniel Kerr, aimed at breaking the Black neighborhoods of the city.[81] He withdrew fire services, which encouraged a wave of arson while sending in the police once again to suppress Black neighborhoods on behalf of local real

77 Roldo S. Bartimole and Donald Sabath, "Fire Insurance Snags E. Side Renewal," *The Plain Dealer*, November 28, 1965, Accessed, May 11, 2022.

78 Walter Rugaber, "Cleveland Riots Linked to Reds: Grand Jury Charges a Small Group of 'Professionals' Exploited Disorders," *New York Times*, August 10, 1966., accessed April 11, 2022; Kerr, *Derelict Paradise*, 161-3l; "Jury Blames Hough on Pros, Reds," *The Plain Dealer*, August 10, 1966, Accessed, May 11, 2022.

79 "Democratic Leaders Unite Behind Stokes," *The Plain Dealer*, October 26, 1967, Accessed, May 11, 2022.

80 James M. Naughton, "Mayor Stokes Is Not on Trial," *The Plain Dealer*, July 28, 1968, Accessed, May 11, 2022.

81 James M. Naughton, "Republican Wins Cleveland Race: G.O.P. Captures Mayoralty First Time in 30 Years" *New York Times*, November 3, 1971, accessed October 31, 2021.

estate capital.[82]

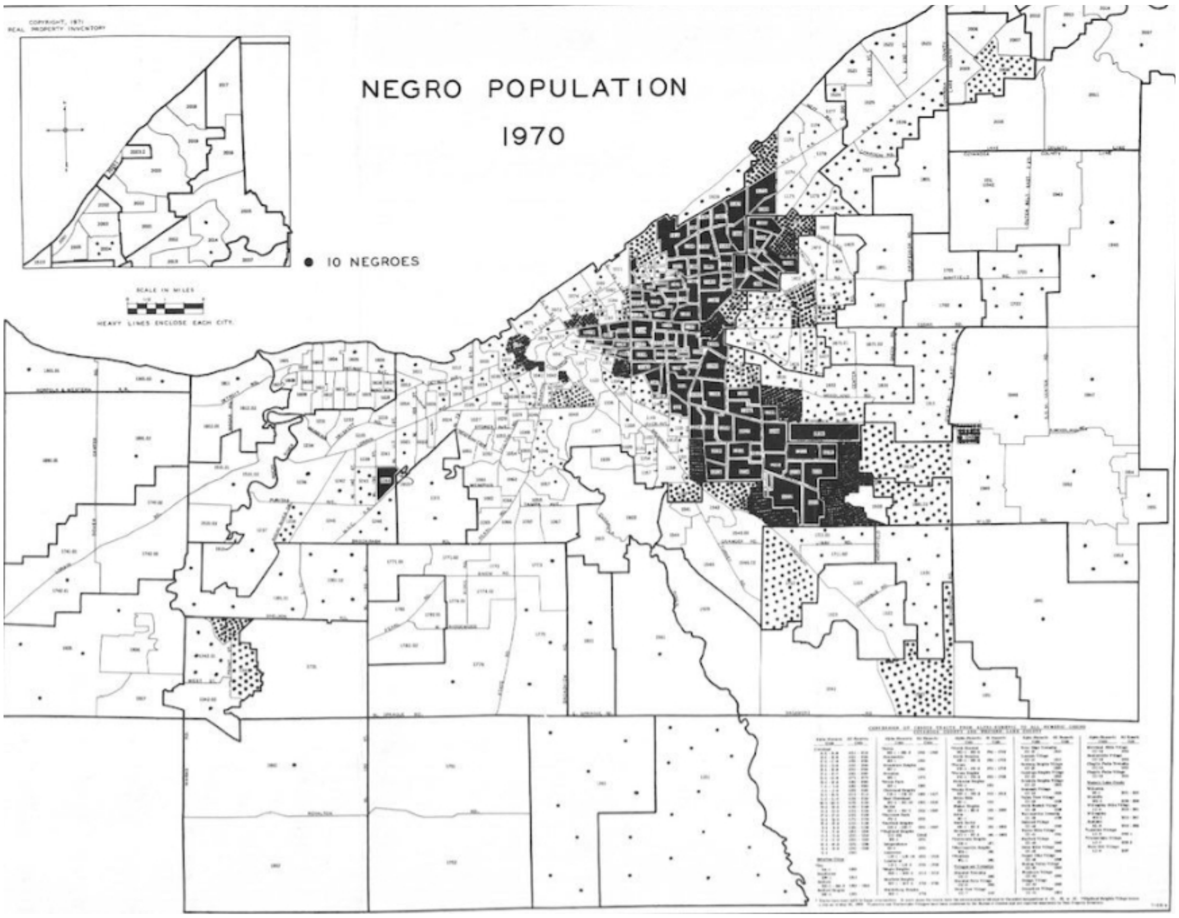


*Figure 1.2: Black Population of Cuyahoga County by Census Tract, 1970.*[83]

The unrest brewing in Black communities of the country's urban centres also caught the attention of the Civil Rights Movement in the 1960s. Martin Luther King Jr. and the Southern Christian Leadership Conference announced plans in January of 1966 for the establishment of the Chicago Freedom Movement which was aimed at organizing non-violent resistance against *de facto* segregation in housing, education and employment.[84] Taking note of the racial violence taking place in northern cities King remarked, "In the South, we always had segregationists to help make issues clear... This ghetto Negro has been invisible so long and has become visible through violence".[85] On the 5th of August 1966, King and other demonstrators marched through the all-white Gage Park-Chicago Lawn-Marquette Park area in a protest of segregated housing where they were met by white protesters

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82 Kerr, *Derelict Paradise*, 165.

83 Real Property Inventory. "Black Population of Cuyahoga County by Census Tract, 1970." Cleveland State University Library Collections, 1971. https://clevelandhistorical.org/items/show/642?tour=43&index=29 (accessed, July 12, 2022).

84 "Chicago Campaign," *King Encyclopedia,* Stanford University, https://kinginstitute.stanford.edu/encyclopedia/chicago-campaign

85 Ibid.

wielding rocks and signs, which one read “King would look good with a knife in the back” and another “Go home, Communist, go home.”[86] The white counter-protest rapidly became violent, leading to King himself being stoned by the crowd along with 600 other civil rights demonstrators.[87]

The escalating violence in northern cities and the Civil Rights movement organizing around the issue became an impetus for Democratic politicians to attempt to push through legislation that would deal with housing segregation. The Johnson Administration had managed to secure two major victories in 1964 and 1965 with the Civil Rights Act and the Voting Rights Act, respectively, by building a coalition between northern Democrats and liberal Republicans. Congressional Democrats introduced the Fair Housing Act as a part of the Civil Rights Act of 1968 in an attempt to continue this momentum.[88] Almost immediately the bill came under attack as amendments were added to water down its provisions. Despite passage in the House of Representatives southern Democrats successfully filibustered the bill in the Senate forcing then Democratic Senate Majority Leader Mike Mansfield to pull the bill and cut their losses.[89] Repeated efforts through 1967 to pass the Fair Housing Act also failed to overcome filibusters despite an explosion of racial violence across the United States during that summer. In March 1968 the Kerner Commission released its report on the riots of the previous summer warning that systematic racism and segregation had become fundamental threats to the stability of the country and that the United States was moving towards “two societies, one Black, one white – separate and unequal.”[90] In light of the Kerner Commission's report the U.S. Senate finally passed the Fair Housing Act and for a moment proponents of the legislation feared that House committees would find a way to kill the bill before the April assassination of Martin Luther King Jr. produced another national outburst of racial violence. During the unrest Washington D.C. was placed under martial law and the U.S. Army garrisoned Capitol Hill. Rattled by the violence, the House passed the Fair Housing Act on the 9th of April and two days later Johnson signed the bill, making it law.[91]

To pass the bill Democratic leadership had been forced to reach a compromise with Republican Senate minority leader Everett Dirksen. This was similar to compromises they had felt forced to make previously with the Republicans on major civil rights bills to break the filibusters of their own Southern

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86 Gene Roberts, “Rock Hits Dr. King as Whites Attack March in Chicago,” *New York Times*, August 6, 1966, Accessed, May 11, 2022.
87 Ibid.; Beryl Satter. *Family Properties*. (New York: Henry Holt and Co., 2009.), 200.
88 Squires. *The Fight for Fair Housing*, 30-2.
89 Ibid., 32.
90 Ibid., 35.
91 Ibid., 35-6.

Democratic Senatorial colleagues. Dirksen was from Illinois and had voiced concerns from constituents about the racial violence taking place in Chicago. His demands subsequently removed significant enforcement powers that were to be given to the Department of Housing and Urban Development (HUD) in the bill thus forcing most future enforcement of the Fair Housing Act to come from private lawsuits and inconsistent application of local and state fair housing laws.[92] Therefore, *de jure* the Fair Housing Act had theoretically managed to end redlining, however, *de facto* the practice continued. Local community groups could challenge the practice to a limited degree provided that they possessed access to experienced legal assistance. However, impoverished and discriminated communities rarely were capable of marshaling these sort of expensive resources. Predictably, this did not end housing discrimination of Blacks and majority Black neighborhoods. Even if the Fair Housing Act had emerged from the legislative process in Congress relatively intact, it suffered from the same fundamental problems of the rest of the Great Society legislative program. Lyndon B. Johnson and other Democrats believed that private capital's involvement was critical to realizing the objectives of the Great Society, an immediate part of which was to calm the urban centres of the country, which by the late sixties were in a persistent state of tumult.

The Johnson administration sought to accomplish this task by creating a new urban housing market to rebuild the aging and dilapidated segregated Black neighborhoods of the cities, and by attempting to integrate white suburbs that by the 1960s were already well-established. Home ownership was increasingly viewed as a mechanism to curtail the urban unrest through fully integrating distressed Black communities into the American capitalist system.[93] Since redlining had been focused around the exclusion of Blacks from housing finance, it made sense to focus public policy around *inclusion.* It was hoped that by more fully integrating them into housing finance markets that it would create a new Black middle-class and finally realize the liberal political project of an American society unified through universal access to capital markets.[94] As Keeanga-Yamahtta Taylor points out in her book *Race for Profit:*

> ...Statutory changes alone are rare, if ever, enough to undo deeply ingrained cultural, social, economic, and political assumptions that shape our society. The reality of a racialized political economy challenged the idea that inclusion in the financial and public services that for so long had excluded African Americans was enough to overcome the physical and economic devastation of Black urban communities. Indeed, I have argued that inclusion in those

92 Ibid., 36.
93 Taylor, *Race for Profit*, 17.
94 Ibid.

> processes while ignoring the larger dynamics created by residential segregation laid the basis for even greater exploitative and predatory practices – predatory inclusion – in transactions involving the urban housing market.[95]

This effort at ending redlining was immediately fraught with problems. Even if official redlining had ended, the damage done by decades of the practice had done enough to these communities where FHA officials and private mortgage issuers could argue that they were not denying them access to credit on the basis of race and colour, but instead because they were poor and were not strong enough candidates.[96] Thus Black neighborhoods increasingly gained the new designation of being subprime candidates for lending, a generalized term that ignored the racialized legacies of housing policy in the United States and sanitized it. Government-backed loans through the FHA and through Veterans Affairs's (VA) mortgage program increasingly became plagued by predatory middleman who took advantage of the system's incoherent and inconsistent regulatory framework to deliberately lure poor Blacks into taking on mortgages for dilapidated housing in redlined neighborhoods.[97] Whether these mortgages failed or not mattered little to issuers since being government-backed they carried little of the downside involved in the loan. Thus a new revitalized market was born in urban centres such as Cleveland that traded specifically in dilapidated housing. Margaret Foster, a member of the Buckeye Woodland Community Congress (BWCC) testified before the Senate Banking Committee that:

> My concern is obstacles to neighborhood preservation and in particular the role of FHA in the process of urban decay... FHA/VA is supposed to inspect the house before insuring the mortgage, but in most cases no inspection takes place. The house received... approval with no inspection. The home buyer, thinking the house has met standards of the federal government, moves in. Then the first time he turns on the furnace he finds it out of order.[98]

Black families unwittingly purchased overpriced houses on onerous terms and when they failed to meet them saw the properties foreclosed and yielded to HUD. These were then often re-sold back to mortgage and real estate companies who could then sell the houses to new targets.[99] This led to some houses being re-sold repeatedly with upward pressure on prices generated by reliable public-backing of the mortgages and further encouraging the predatory behavior on the part of the mortgage issuers and realtors to continue. In Cleveland between 1973 and 1977 there were around 700 foreclosures per year

95 Ibid., 254.
96 Ibid., 18-9.
97 Randy Cunningham, *Democratizing Cleveland.* (Cleveland: Belt Publishing, 2007.), 114-5.
98 Caren Goldman, "Buckeye," *Sunday Plain Dealer Magazine*, September 5, 1976, Accessed, May 12, 2022.
99 Ibid., 115.

in these federally-insured mortgages focused in neighborhoods such as Buckeye-Woodland and Union-Miles on the city's east side which were going through demographic transition from majority white to majority Black communities.[100] Even in cases where prospective Black homeowners had the resources to buy a more expensive home outside of segregated neighborhoods they could fall prey to white real estate dealers who steered them out of white neighborhoods or into paying comparatively higher prices than whites for similar homes.[101] The indifference of some mortgage companies towards some was obvious. One family that brought a late mortgage payment was turned away with the company representative remarking, “I don't have time for born losers” before the family later returned with a group of thirty neighbors who encouraged the representative to accept the payment thus protecting the family's home.[102]

This sort of extractive behavior also included the practice of prioritizing staffing tellers in older neighborhoods of the city while prioritizing mortgage loan officers in the suburbs.[103] This created an outflow away from the inner cities where there were more older established homeowners and towards the suburbs where the capital was used to stimulate housing markets for younger less financially well-established clients. This became a significant focus of community organizing in Cleveland, where groups such as the BWCC attempted to counter these trends. They ran into problems in part because targets of the practices often blamed themselves for falling victim to the predatory behavior of mortgage issuers and the broader community also perceived them as being financially careless and deserving of their misfortune.[104] Many prospective Black borrowers had also assumed that the homes being marketed had been inspected and approved by the FHA, but even the barest assessment of the properties by the administration would have yielded evidence that many were unsuitable for human habitation.[105] The Johnson administration's faith in the ability for regulated private capital to lead the way combined with an inconsistent and incoherent regulatory framework to allow long-standing racist practices in the mortgage and real estate industries to continue to prey on Black neighborhoods that the Great Society program was intended to benefit.

The Johnson administration's attempt to encourage integration in the suburbs also largely failed. As discussed above white majority communities tended to view the movement of non-whites into their neighborhoods as fundamental threats to their economic viability. In Cleveland this rationalization of

100 Ibid., 112.
101 Joel Mandelbaum, “Race Discrimination in Home Buying Resists Tough Laws” *New York Times*, December 3, 1972.
102 Goldman, “Buckeye.”
103 Cunningham, *Democratizing Cleveland*, 115.
104 Ibid., 116.
105 Ibid.

Black exclusion had been expressed during the mid-1930s regarding the economics of clearing the slums of the East Side by city officials and academics. The stoning of Martin Luther King Jr. and other supporters of housing integration at the Gage Park-Chicago Lawn-Marquette Park march in August of 1966 is merely one example among many of whites utilizing overt violence to prevent Black families from moving into their neighborhoods. The last example of an integration-related bombing in the Cleveland Heights area of Cleveland occurred in 1966, the same year of the Hough riots.[106] The spasms of violence that had defined the perceptions of the urban centres of the American north-east in the 1960s overlaid a largely successful effort to mobilize various mechanisms of power by whites to resist attempts at integrating white suburbs during the post-war period. Since racial covenants had been banned since 1948 and redlining officially banned in 1968, suburban white communities were forced to expand their playbook in order to accomplish this. They increasingly utilized supposed "colour blind" practices such as "snob-nosing" where zoning ordinances banned low income renters and housing projects thus inevitably catching many Blacks and other visible minority groups in their nets.[107] If they could not ban Blacks upon the basis that they were Black, they were able instead to ban them on the basis that they were poor.

Political debates over these policies grew increasingly abstract and discussions of race and class became entangled. Suburban white politicians through the late 1960s and early 1970s increasingly complained instead about "density," "taxes," and "burdens" on local schools, fire and police services, local infrastructure, etc.[108] Some urban liberals characterized the flight of segregationist whites out to the suburbs as a sort of "retreat," but the decision to move out to suburbs increasingly became a defining aspect of the political identity of the white suburbs.[109] HUD remained committed to the racial integration of the suburbs into the Nixon administration. However, by then the White House was more interested in holding together a political coalition that was dominated by suburban whites who were increasingly mobilizing their "suburban secessionist" politics nationally.[110] The White House's political position strengthened as HUD's deficit ballooned and its portfolio of housing stock from foreclosed FHA and VA guaranteed mortgages grew. Despite nominating George W. Romney, a moderate Republican and former governor from Michigan to run HUD in 1969, these shorter term political concerns won out and the Federal Government gradually began to retreat from the prominent role it had

106 Taylor, *Race for Profit*, 78.
107 Ibid., 114.
108 Ibid., 172-3.
109 Kevin M. Kruse. *White Flight: Atlanta and the Making of Modern Conservatism*. (Princeton: Princeton University Press, 2005.), 234.
110 Ibid.

taken during the Johnson administration. All in all, the effort at integrating the suburbs produced marginal results. In 1960 the suburban population of the country was 4.2% Black; by the 1970 census that percentage had only increased to 4.5%.[111]

We should also note complications to these particular narratives regarding what is understood as the standard history of the expansion of the segregated Black neighborhood and corresponding white flight to the suburbs. Some whites continued to live in majority-Black communities "post-transition." Although they were often small enough in number that in some of the cases discussed by Michney in *Surrogate Cities* interviewees took them as a sort of "curiosity."[112] The pattern of whites resisting any attempted entry in the housing market of their neighborhoods could also be sometimes inconsistent as well, with cases of Blacks living in overwhelmingly white neighborhoods with no issue for decades. Blockbusting appears to have played a significant role in breaking up cases of racial heterogeneity drawing out latent fears of "crime" and dwindling property values, a perceived threat to the financial well-being of white families.[113] Michney notes that some of the first organized efforts to combat blockbusting in the East Side neighborhood of Corlett were organized by ethnic organizations, specifically the Corlett Homeowners Improvement Association, which met at the Polish Library Home. Speaking to the press one member said that their "purpose [was] to stop this harassment."[114]

Within the Black community there were also complicated class dynamics that effected the process of how the contours of the segregated Black community grew after the Second World War. When possible middle-class Blacks were also vulnerable to participating in a sort of "Black flight" for similar reasons to their white counterparts: fears of dwindling property values, crime, and disinvestment. Seeking better economic opportunities middle-class Blacks, when opportunity arose sought to move out into what usually were majority white neighborhoods. Faced with sparse and often exploitative opportunities for credit, initially they could only establish footholds into segregated white neighborhoods with significant difficulty. Before the war there is evidence in Cleveland that majority-white neighborhoods often would remain stable with the presence of what were usually small Black enclaves, in part because these communities sometimes predated white settlement. However, after the Second World War with the opportunity to leave for the suburbs they elected to move rather than resist. With whites moving further out middle-class Blacks back filled and took residence in communities such as Glenville, Hough, and Warrensville Heights in what were then the inner suburbs of the city of

111 Taylor, *Race for Profit,* 108.
112 Michney, *Surrogate Suburbs*, 193.
113 Ibid., 173.
114 Ibid., 174.

Cleveland. These neighborhoods rapidly became new centres of Black social, political, and economic life. With whites moving to the suburbs by the thousands working-class Blacks also increasingly found opportunity or, as urban renewal projects demolished housing in segregated Black neighborhoods, the necessity to follow their more well-off cousins.[115]

With many facets of economic and social life segregated and housing difficult to secure outside of Black majority neighborhoods, Black communities were often stratified by class. The first groups to partake in Black suburbanization were middle-class and upper-class and they brought with them many of their insecurities about their status.[116] Since the physical boundaries of the Black community were limited by segregation by the white "outer" suburbs a broader spectrum of the Black class structure was forced to live close together in restricted residential confines, leading to class antagonisms. "The newcomers bring a different set of values," stated a board member for the Mount Pleasant Community Centres, "and [it] shows in maintenance of property, yards, garbage disposal, aggressive behavior, attitude toward learning, [and] attitude toward authority." Another interviewee put it much more succinctly, "if we were white we would [just] move."[117] As the social impression of white society towards Blacks was coloured by their impression of the inner city Black neighborhood middle-class Blacks felt a strong desire to differentiate themselves from the Black working-class. Much of this outward facing desire for differentiation was expressed in *The Plain Dealer* by Jesse Owens, the 1936 Olympic champion and Cleveland resident regarding the role that he felt middle-class Blacks played in American society and his criticism of more radical Black politics:

> But even though the black middle class is fast becoming the solid Negro majority in the United States, white American hardly knows him. He's been kept a secret. How? Why? Because of whites who are afraid to get to know him, because of Black extremists whose blackthink has suckered the media (and a lot of middle-class Negroes as well) into thinking there's no such thing as a brown-skinned man or woman who goes to a respectable job six days a week, is more interested in the good things of life for his family than in a revolution, and just likes to sit in front of the TV some Sunday afternoons with a can of beer in hand and watch the ballgame or listen to some Ella or Elvis on the stereo.[118]

Owens later made his pitch towards white middle-class Americans more explicit: "the all-important fact about the growing Negro middle class in America today, and the unrecognized fact, is that our

115 Ibid., 3.
116 Ibid., 191-212.
117 Ibid., 208.
118 Jesse Owens, "Middle-Class Negro Is Still U.S. Secret," *The Plain Dealer*, August 30, 1970, Accessed, May 12, 2022.

similarities to middle-class American in general are overwhelming compared to any difference that exists."[119]

By the mid-1970s, the political winds were shifting in the United States away from large public interventions in housing markets. Escalating inflation, rising unemployment, concerns about crime, huge deficits, and the ongoing quagmire of the War in Vietnam... all were absorbing the public's attention. The energy of the Civil Rights movement which had culminated in finally breaking through the United States Congress's legislative viscosity on racial issues and producing organized resistance in the country's big cities to the predatory practices of financial capital steadily dissipated. Public panics over "welfare queens," the escalating problem of drugs in urban America and the new and strange economic circumstances of stagflation created the atmosphere necessary for the political right to reassert itself as dominant after decades of frustration at the political success of the New Deal and its offshoots.[120] The Republicans took a temporary hit after Richard Nixon resigned in the face of the possibility of impeachment after the Watergate scandal broke, but Democrats had signaled their retreat from attempting to integrate the suburbs. They would in the coming decades increasingly obsess over how Nixon and the Republican Party had thoroughly demolished George McGovern in 1972 and try desperately to avoid being painted by the right as liberals out of touch with a American public perceived to be moving to the right. Jimmy Carter speaking in 1976 after winning the Presidency crystallized the shift in Democratic Party politics when he noted "the government ought not take as a major purpose the intrusion of alien groups into a neighborhood, simply to establish that intrusion."[121]

By 1980, Cleveland had been in a sustained economic and demographic decline for several decades. The population of the city had declined from a peak of 914,808 in the 1950 Census to a population of 573,822 in 1980, a 37% drop.[122] The metropolitan area of the city of Cleveland had continued to grow through into the 1970s, peaking at 2,064,000, suggesting that the city's suburbs were gaining even while the inner city shed population. However, by 1980 even the metropolitan population of the greater Cleveland area was also in decline, losing 8% of its population during the stagflation years of 1970-80.[123] In 1960, Blacks made up 28.6% of the city's population; by 1980 this figure had

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119 Ibid.

120 Kruse, *White Flight,* 108.

121 Ibid., 257.

122 U.S. Census Bureau; 1950 Census of Population, Population of Cities of 10,000 or More from Earlier Census to 1950, Table 4., p. 35-8. < https://www2.census.gov/library/publications/decennial/1950/population-volume-1/vol-01-38.pdf > (June 2, 2022); U.S. Census Bureau; 1980 Census of Population, Population, 1960 to 1980, and Land Area and Population Density for 1980 for Places of 2,500 or More, Table 25. p. 166. < https://www2.census.gov/prod2/decennial/documents/1980/1980censusofpopu8011uns_bw.pdf > (June 2, 2022)

123 U.S. Census Bureau; 1980 Census of Population, Population, 1960 to 1980, and Land Area and Population Density for

increased to 43.8% of the city's population. Their share of the population increased as the city's demographics declined and white flight accelerated out both into the suburbs and out of Cuyahoga County altogether.[124] But declines were not merely in majority white neighborhoods, Black neighborhoods also shared significant demographic decline. Hough, the location of the 1966 riots had lost 8,412 housing units between 1970 and 1980, nearly 40% of its total stock, and the population had declined by 58% from 53,408 to 22,423. Hough's neighboring communities Glenville, Fairfax, and St. Clair-Superior lost just over a fifth of their total housing stock and suffered a population decline of around 42% of their total population from 1970.[125]

As depopulation continued the greater Cleveland area remained rigidly segregated. Parma, a suburb situated to the southwest of the city had benefited from the second wave of suburbanization in the post-war years growing by 286% to a population of 82,845 by 1960. Parma had been accused by a federal judge of practicing "deliberate racial exclusion" in rejecting two major projects intended to increase the amount of subsidized low income housing. By 1980 after successfully resisting these attempts to integrate the suburb only 312 Blacks lived in Parma, 0.3% of its total population.[126] Much of the depopulation had resulted from the city's continued economic decline. In the state of Ohio in 1975 there were 20 steel companies operating 47 mills. Ten years later there were only 14 operating 23 mills.[127] In 1984 the two remaining integrated steel producers, Republic and Jones & Laughton were forced to merge, forming LTV Steel Co., two years later after running up a billion dollars worth of losses, LTV filed for Chapter 11 bankruptcy.[128] Between 1979 and 1983 Cuyahoga County lost 60,000 manufacturing jobs, about 26% of its total.[129]

In 1977 progressive Dennis Kucinich was elected mayor of Cleveland. His brief two years as mayor represented more the end of a period of progressive energy and the beginning of an extended period of order in Cleveland politics. At odds with essentially all political factions in Cleveland, Kucinich even battled with the progressive community organizations that had formed to fight local

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1980 for Places of 2,500 or More, Table 25. p. 166. < https://www2.census.gov/prod2/decennial/documents/1980/1980censusofpopu8011uns_bw.pdf > (June 2, 2022)

124 U.S. Census Bureau; 1981 Census Report, Section 1 Population, No. 24, Cities With 100,000 Inhabitants or More in 1980 – Population, 1960 to 1980, and Households, 1980, p. 21. < https://www2.census.gov/prod2/statcomp/documents/1981-02.pdf > (June 2, 2022).

125 Kerr, *Derelict Paradise,* 199.

126 "Parma" *Encyclopedia of Cleveland History*, accessed October 30, 2021, https://case.edu/ech/articles/p/parma

127 Mike Roberts, "Cleveland in the 1980s – Mike Roberts" *Teaching Cleveland Digital*, accessed October 28, 2021, https://teachingcleveland.org/cleveland-in-the-1980s-mike-roberts/

128 "Iron and Steel Industry". *Encyclopedia of Cleveland History.*, accessed October 30, 2021, https://case.edu/ech/articles/i/iron-and-steel-industry

129 Cunningham, *Democratizing Cleveland*, 193.

anti-redlining efforts, less over ideological differences and more over who was going to lead the progressive movement in the city.[130] His style was aggressive and confrontational, and it made him enemies everywhere in the city; Kucinich barely survived a recall election by a slim 236 votes. By the end of 1978 Cleveland became the first major American city to go into financial default since the Great Depression. Neither Kucinich nor local progressive groups were able to reverse the city's economic woes and in 1979 he lost re-election to George V. Voinovich, a Republican.[131] Cleveland's political landscape would shift dramatically afterwards during the 1980s. Community organizing withered; its progressive energy channeled instead into "development" and establishment politics. A new generation of politicians who cut their teeth in the streets organizing during the 1960s and 1970s emerged at City Hall and adapted themselves to using non-governmental organizations and local public-private development partnerships to manage and control their wards in the city.[132] Groups such as the Buckeye Woodland Community Congress which had won victories in fighting predatory financial behavior steadily decayed. The BWCC itself slowly expired from lack of funding. The private businesses who had funded it and other similar organizations as a sort of "riot insurance" during the Civil Rights era no longer thought it necessary to bother.[133] In 1987, barely functional, the BWCC finally dissolved itself.

130 Ibid., 88-9.
131 Fred McGunagle. "Muny survives, but Kucinich is out of power". *The Plain Dealer*, August 8, 1999, accessed October 28, 2021.
132 Cunningham, *Democratizing Cleveland*, 182.
133 Ibid.

## Chapter 2: The Financialization of Redlining and the Housing Bubble

By the 1970s and 1980s the United States experienced a significant economic shift away from a focus on productive capital accumulation towards a focus on financial capital. The turn towards financialization fundamentally reshaped the incentive structures that had dominated the country's housing markets and with it reshaped the economic relations in the Black neighborhoods of the Rust Belt, in particular Cleveland. Chapter one detailed an era of credit scarcity, defined by the economic, social, and political consequences of redlining. But financialization brought with it new inequalities and new forms of predatory behavior oriented instead around credit *abundance*, channeled through newly deregulated financial markets into previously redlined communities. This new socio-economic relationship can be defined as *reverse redlining.* A terminology originally developed by sociology professor Gregory D. Squires and expanded upon by this thesis to understand this new relationship between racialized social geography and the new financial capitalism of the 1980s through the 2010s.

To this end chapter two begins with a discussion of the creation of the mortgage-backed security, the initial development of financialization in the United States, and the end of the savings and loans industry in the late 1980s. With the breakdown of the New Deal system of housing finance this chapter discusses the process of securitization that became dominant in the sector in the 1990s. There are also parallel developments pre-bubble that are discussed; principally the emergence of neoliberalism as a dominant ideological movement after the stagflationary economic crises of the 1970s and its increasing political strength in the United States on the centre-left in Democratic Party politics with the decline of labour power. Also relevant in this chapter is the move towards financial deregulation, the emergence of the housing bubble in the 1990s and the effects of the bubble in the city of Cleveland both broadly, and more specifically to the city's Black neighborhoods. Finally, this chapter discusses the bursting of the housing bubble and its consequences, both economic and political, with the Financial Crisis of 2008; the election of Barack Obama and the development of reactionary populist politics on the right. It concludes with a discussion of the foreclosure crisis in Cleveland and the emergence of suburban poverty as a result of it.

In the late 1960s the Johnson administration's attempts to calm the country's inner cities through housing policy reform unintentionally created the vehicle which would remake the country's financial markets, the mortgage-backed security.[1] The Housing Act of 1968 privatized the Federal National

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1 Mortgage-backed securities are a means in which to take an illiquid asset (housing) and make it into a liquid asset that

Mortgage Association (Fannie Mae) and established Section 235, a short-term mortgage lending program that was intended to provide low-income loans to the working class as a means of calming escalating unrest in the inner cities.[2] In order to fund Section 235 Congress attempted to channel capital from securities markets into mortgage-lending. This policy shift was supported by a series of various interests, from banking groups to the pension funds of industrial unions. This process of securitizing mortgages was to be handled by the now privatized Fannie Mae.[3] Section 235 would end by the early 1970s having enabled financing for millions of homes during its duration. However, it also built a poor reputation for enabling a series of special interests, from realtors, builders, inspectors, and mortgage-lenders to collude together to defraud working class families desperate to escape the renter's market to own their own homes. The mortgage-backed security outlasted the programs it was intended to finance and the securitization of mortgage lending and the secondary markets they were traded on saw accelerated growth through the 1970s. This process was aided by the perception that increasing mortgage debt loads constituted a “positive” form of debt that allowed Americans to own their own homes, particularly as home prices had steadily risen since the end of the Second World War creating a source of reliable equity for American homeowners.[4]

By 1972 federally-backed mortgages resold through securities markets totaled about 30% of all housing starts in the United States and 20% of the increase in mortgage debts.[5] Mortgage-backed securities also theoretically removed the need for financial institutions to evaluate the underlying assets in the securities they were buying since the market was intended to mediate that process for them. Securities could be evaluated in a similar manner to bonds, prompting the increasing involvement of rating agencies such as Standard & Poor's in standardizing a grading of the quality of the new mortgage-backed securities.[6] The financial success of the program created a stable form of investment for a variety of banking institutions and pension funds, including traditional regional savings and loan banks, who through buying mortgage-backed securities felt secure in engaging in “national” financial activities outside of their usual regional environments.[7] By the late 1970s Fannie Mae was the second largest holder of debts in the United States, and the increasing influence of securitization on the American economy could be felt more broadly in American society by the involvement of smaller

can be then sold as a bond on secondary markets.
2 Hyman, *Debtor Nation*, 225-6.
3 Ibid., 225.
4 Ibid., 234.
5 Ibid., 233.
6 Ibid., 229.
7 Ibid., 234.

regional financial institutions.

Financialization of the economy accelerated into the 1980s as high interest rates resulting from deregulation combined with a flood of foreign capital into the United States to create an environment where investments in productive capital became less profitable than the returns that could be made on financial investments.[8] The Reagan administration cut tax revenues and drastically raised military spending during the early 1980s running significant fiscal deficits in the process of doing so. These deficits could have theoretically forced another significant episode of high inflation, but a variety of reasons prevented this from occurring. The Nixon administration had abandoned Bretton-Woods in the early 1970s in order to finance the Vietnam War, and the adoption of the American Dollar as a *de facto* replacement for gold as a global reserve currency encouraged deficit spending by the federal government as foreign governments soaked up the spending in order to stock their own foreign exchanges.[9] This process of deficit spending financed through foreign investment continued haphazardly into the 1980s as the deregulation of Japanese financial markets preceded a flood of foreign investment into the United States.[10] This windfall of foreign capital entering American financial markets was unexpected by policy makers in the Reagan administration who were elated to suddenly find short-term solutions to the prospective inflation problem. However, the decisions made during these years produced long-term unintended consequences that pushed the American economy away from development of productive capital and towards an ever increasing reliance on economic growth in financial activities.[11] By the late 1980s American capital was increasingly influenced in its decision making by declining profit margins in production and rising profit margins in financial services, a process that encouraged it to tailor its activities towards financial services. Since investing in productive capital often required long-term commitments that sunk capital into the built environment or in management of labour the trend towards the quick turn around that could come from financial investment became more attractive even for businesses that had traditionally been fixtures of industrial production in post-Second World War America.

The turn towards financialization in the American economy was also concurrent with a general assault on the position of organized labour and labour rights in the United States. The steady "rusting" of the American industrial base beginning after the Second World War had significantly damaged the country's industrial unions. As industrial production shifted geographically from the mid-west towards

8 Krippner, *Capitalizing on Crisis*, 86-7.
9 Ibid., 89.
10 Ibid., 94.
11 Ibid., 95.

the South, where "right-to-work" laws were passed as a means of both suppressing industrial unionism in southern industries, as a means of defending segregation in the South, and to implement labour-saving technologies such as automatization, organized labour was increasingly unable to gain traction in unionizing the new relocated factories.[12] The Carter administration had taken small steps in deregulating the airlines and trucking in the United States during the late 1970s, but the Reagan administration took the anti-organized labour turn a step further by breaking the PATCO strike in 1981 and appointing an anti-union National Labour Relations Board in 1983.[13] These direct anti-union actions by the federal government were matched by support for Federal Reserve head Paul Volcker's intentional creation of a recession and rising unemployment in the early 1980s as a part of the Reagan administration's attempts to check rising inflation, a move that also simultaneously targeted industrial labour unions.[14] The signal to capital that the federal government would back anti-union efforts was clear.

Wages broadly stagnated as a result of these efforts. After the Second World War incomes grew in tandem with rising productivity of the American worker with incomes rising by 91% for the first three decades after the war, while productivity grew by 97%.[15] Between 1973 and 2013 incomes in the United States stagnated with just a 9% increase in real wages while productivity continued to grow at 73%.[16] Much of this gap between productivity and incomes was swallowed up by the upper income brackets as annual wages of the top 1% of the population grew by 138% while the bottom 90% of the population's wages grew by just 15%. This gap in wage growth can be further contextualized when middle-class workers and working-class workers are separated indicating that working-class wages actually dropped in real terms between 1980 and 2010 by 5%.[17] Data indicates that increasing income inequality in the United States beginning in the 1970s and 1980s and the top 10% of the population's increasing share of incomes can be correlated directly with declining union membership in the country.[18]

The declining power of American industrial unions also coincided with significant political changes in the Democratic Party. The New Deal had remade Democratic Party politics during the

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12 Michael Pierce. "The Racist Origins of Right to Work". *Labor Notes*., August 3, 2017. Accessed, January 21, 2022, https://labornotes.org/blogs/2017/08/racist-who-pioneered-right-work-laws
13 Harvey. *A Brief History of Neoliberalism*, 24.
14 Ibid., 24-5.
15 Josh Bivens, Elise Gould and Lawrence Mishel. "Wage Stagnation in Nine Charts." *Economic Policy Institute*, January 6, 2015. Accessed January 23, 2022, https://www.epi.org/publication/charting-wage-stagnation/
16 Ibid.
17 Ibid.
18 Ibid.

Great Depression re-orienting it around commitments to democratic rights. Rights to employment, housing, education, as well as health care. These commitments had always been incomplete and because of the party's complicated geographic and racial politics compromises to retain party unity largely left Blacks out of the benefits of the expansion of the federal government between the 1930s and the 1960s. But these commitments had placed the influence of industrial labour unions prominently within the party's power apparatus and ensured the party would control Congress between 1932 and 1994 with only brief interruptions.[19] The urban unrest of the 1960s and the decision of the Johnson administration to push for Civil Rights combined with the bad economic years of the 1970s to begin the fragmentation of this consensus. The Dixiecrats steadily drifted over to the Republican Party, while the party's working-class base was losing its prominence in the north-east as a result of the region's ongoing de-industrialization. The chaos of the 1968 Democratic Convention in Chicago and then the crushing defeats to Nixon in 1972, Reagan in 1984 and Bush Sr. in 1988 convinced a new wave of younger Democrats that the party needed to move in a new direction. New national politicians such as Colorado senator Gary Hart, Massachusetts governor Michael Dukakis and Tennessee senator Al Gore all were representations of this new wave of Democrats who looked to the new suburban professional class of liberals who had been created by the New Deal and the Cold War expansion of the federal bureaucracy to become the new core of the Democratic Party.[20] These were the “Atari Democrats” and in the 1980s and 1990s they founded political institutions such as the Democratic Leadership Council that were intended to sideline what they considered the “special interests” of organized labour and the Civil Rights movement to weld together the Democratic Party to the new economy of technology and services.[21] The new suburban professional class that was coming into prominence in the party's politics also tended to be employed in largely non-unionized sectors of the economy such as engineering, law, academia and finance that emphasized individual achievements such as expertise or skill and specifically shunned the notions of collective work place identity and solidarity.[22] The politicians they elected to leadership in the party reflected these ideals and favoured a *rapprochement* between the Democratic Party and capital, even and often in particular, at the expense of the party's traditional working class base.[23]

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19 Lily Geismer. “Jesse Jackson's Political Revolution.” *Jacobin*. February 19, 2020, Accessed April 13, 2022, https://jacobinmag.com/2020/02/jesse-jacksons-political-revolution
20 Ibid.
21 Ibid.; The term “Atari Democrat” refers to the popular video game console from the 1980s.
22 Lily Geismer. “Atari Democrats,” *Jacobin*. February 8, 2016. Accessed December 15, 2021, https://www.jacobinmag.com/2016/02/geismer-democratic-party-atari-tech-silicon-valley-mondale/
23 David S. Broder. “'Mainstream' Democratic Groups Stakes Claim On Party's Future” *Washington Post*, May 3, 1991.

In office, the Atari Democrats were neoliberals. Neoliberalism as a political ideology grew as an alternative model of economic development in light of the stagflationary crises of the 1970s. It attracted adherents amongst the economic elite in large part because it promised a retreat from the Keynesian model of advancing a class compromise between capital and labour in favour of re-empowering capital at the expense of labour.[24] It attracted adherents in the political class in part because the privatization of the public sphere and shrinking of the state's role in the economy relieved them of responsibility for overseeing the distribution of capital in the economy.[25] The credit tight environment of the New Deal financial system had forced politicians to often make difficult political decisions regarding the distribution of scarce resources, to pick and choose who received credit and who did not. Their unwillingness to make these decisions in led in part to stagflation in the 1970s.[26] Neoliberalism's emphasis on privatization of public assets and deregulation placed the responsibility for making these choices on the shoulders of the market and private capital and largely out of their hands.[27] Thus the wider adoption of neoliberalism also necessitated a steady decay in democratic control of economic life. Private capital took control of elements of public life and the political system adapted to facilitate this process.

The Atari Democrats, members of the Democratic Leadership Council, etc. who dominated Democratic politics beginning in the late 1980s into the Obama Administration, represented the left flank of neoliberalism. While the ideology also can be applied broadly to the right its significance in the centre and centre-left is to act as a sort of legitimizing force for capital in its interactions with their political constituencies, in particular labour and non-white communities. In the 1990s these centre and centre-left neoliberals had been propelled to power in the Clinton administration. In their zealousness to adapt the American economy to the "new economy" Clinton signed the North American Free Trade Agreement, accelerating the process of deindustrialization that had been ongoing in the mid-west; continued the deregulation of financial markets and worked to "reform" the American welfare state. In the neoliberals's rush to demonstrate their rejection of "special interests" they passed the Violent Crime Control and Law Enforcement Act in 1994, known more commonly as the Clinton Crime Bill, which paved the way for the system of mass incarceration that disproportionately landed on poor non-whites in its implementation.[28] Similarly, welfare reform in 1996 fell hardest on poor Black single mothers

24 Harvey, *A Brief History of Neoliberalism*, 10-1.
25 Krippner, *Capitalizing on Crisis*, 83.
26 Ibid.
27 Ibid.
28 German Lopez, "The controversial 1994 crime law that Joe Biden helped write, explained", *Vox*. September 29, 2020, accessed March 26, 2022, https://www.vox.com/policy-and-politics/2019/6/20/18677998/joe-biden-1994-crime-bill-law-

who became increasingly subject to both increased state surveillance and incarceration as a result of the bill.[29] With the political right ascendant in national politics these bills were examples of how the new Democratic Party was attempting to navigate the political terrain by courting what it perceived to be the national mood.[30]

During the 1980s there was a run of widespread bank failures in the savings and loan (S&L) industry that led to the re-orientation of the mortgage industry away from conservative-style small regional banks and towards larger national banking institutions and securitization. Another run of deregulation in the financial sector during the early 1980s by the Reagan administration encouraged the S&L industry to speculate wildly in real estate and junk bonds leading to an escalating amount of bank failures as this speculative activity failed.[31] In 1981-2 S&L banks reported $9 billion in losses alone and by 1988-1989 there was over one bank failure in the thrift industry per day.[32] The failure of the thrift industry during the 1980s was problematic because S&L companies, characterized by their small, regional and conservative banking models, had been the primary originators of mortgage lending since the 1930s.[33] Fannie Mae may have played its part by insuring a significant portion of mortgages, but in a system based upon incentivizing private capital to sail the ship S&L institutions provided the capital for 3/4s of all mortgages between the 1930s and 1970s. By the early 1980s this figure had fallen to 1/5 as the deregulated financial institutions began to fill with red ink.[34] Federal officials looking at the crisis in S&Ls in the late 1980s and early 1990s concluded that the thrift industry was fundamentally unsuitable for its task of providing the underlying capital for mortgages because of the limited capital they were capable of raising through deposits. Thus securitization increasingly was viewed as a means of solving this underlying problem in the long-term since securities were not limited by the liquidity constraints of S&Ls.[35] Meaning that securitization enabled greater leveraging and would conceivably allow a greater volume of mortgages to be issued. The transition away from S&Ls would later be accelerated with the passage of the Financial Institutions Reform, Recovery and Enforcement Act in 1989 which specifically required S&Ls to sell off their portfolios of mortgages onto the secondary

mass-incarceration

29 Premilla Nadasen, "How a Democrat Killed Welfare" *Jacobin*, February 9, 2016, Accessed, May 12, 2022, https://www.jacobinmag.com/2016/02/welfare-reform-bill-hillary-clinton-tanf-poverty-dlc/

30 German Lopez, "The controversial 1994 crime law that Joe Biden helped write, explained."

31 Gotham, "Creating Liquidity Out of Spatial Fixity," 37.

32 Ibid.

33 Ibid., 37-8.

34 Ibid.

35 Ibid; Martin Neil Baily, Matthew S. Johnson and Robert E. Litan. "The Origins of the Financial Crisis". *Initiative on Business and Public Policy at Brookings*. November, 2008., 22.

market.[36]

The gears greased by deregulation and state support securitization of mortgage debt took off in the 1990s. In 1988 Fannie Mae and Freddie Mac[37] securitized $95 billion in mortgages. By the beginning of the Clinton administration in 1993 this figure was at $430 billion.[38] The government sponsored enterprises (GSEs) such as Fannie Mae, Freddie Mac and Ginnie Mae[39] were increasingly utilized as mechanisms for funneling capital into mortgages as an alternative to the use of fiscal policy by the federal government. In principle these political problems were similar to previous efforts under the Roosevelt and Johnson administrations who similarly believed that accomplishing their goals for advancing home ownership necessitated the deep involvement of private capital. Accordingly, the Clinton administration and Democratic-controlled Congress lowered the capital requirements for the GSEs to 2.5%, a low percentage compared to the normal commercial bank requirements of 10% at the time.[40] By 2001, Fannie Mae and Freddie Mac were both top twenty businesses on the Fortune 500 list having posted double digit earnings for most of the 1990s and were increasingly dominant and hegemonic entities in mortgage-related securities markets.[41] The financial strength of the GSEs was in significant part a result of their implicit guarantee by federal officials, one that was later made official and explicit in 2008-09 when they had to be nationalized by the US Treasury, allowing them to use their advantageous financial position in order to borrow at cheaper rates then potential competition.[42]

In the mid-1990s housing prices broadly began to surge in the United States. The reasons for the initial surge were fundamental. The American economy was in the midst of a boom period and household incomes, buttressed by low interest rates and thus inexpensive credit, were increasing in the upper classes of American society. Interest rates that had been elevated for an extended period of time were now the lowest they have been in recent memory driving demand for homes sales even further. As well, home ownership during the late 1990s was becoming a means of paying off mounting consumer debts. Credit card debt in particular was rising rapidly as inflation in health care costs and car loans forced families to take on credit to pay revolving debts.[43] Released from state usury laws by

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36 Gotham, "Creating Liquidity Out of Spatial Fixity," 39.

37 Freddie Mac refers to the Federal Home Loan Mortgage Corporation, created in 1970 to expand secondary markets for mortgages.

38 Schwartz, "Finance and the State in the Housing Bubble," 61.

39 Ginnie Mae refers to the Government National Mortgage Association, another GSE which was established in 1968 as a part of the Housing and Urban Development Act.

40 Helena Yeaman. "The Bipartisan Roots of the Financial Services Crisis". *Political Science Quarterly*. Vol. 124, No. 4 (Winter 2009-10), 686-7.

41 Ibid., 687.

42 Baily, et all. *The Origins of the Financial Crisis*, 23.

43 Tamara Draut, Javier Silva, "Borrowing to Make Ends Meet," *Demos*, September 2003.

the *Marquette* Supreme Court decision in 1978 credit card issuers charged whatever interest rate they could get away with. Revolving debts mounted precipitously between 1980 and 2000, increasing by $55.1 billion in 1980 to $663.8 billion in 2000. This compared to an also significant increase of $294.3 billion in 1980 to $867.6 billion in non-revolving debts.[44] In order to pay off these mounting revolving debts American home owners increasingly looked to their homes to find extra cash, especially as stagnating income growth drove many to look to alternative sources. Home equity loans and refinancings became attractive in the 1990s because of low interest rates, and after the Tax Reform Act of 1986 interest on mortgage loans was specifically kept tax deductible, unlike interest payments on credit card loans.[45] Borrowing through home equity loans allowed about four million home owners to pay off about $28 billion in credit card debt between 1996 and 1998 alone.[46] All of this served to encourage Americans to become home owners, but it also increasingly exposed those who took home equity loans to future financial difficulties if the long-term trend in rising housing prices ceased to continue. Deregulation of financial markets also encouraged mortgage lenders to increase their volume of mortgages as low interest rates reduced profitability on interest payments they collected, leading to more sales to the secondary market as lenders sought to increase their profits off of fees and transaction incomes.[47] As volume increased through into the 2000s, mortgage lenders eager to sell on secondary markets looked to find new borrowers.

Through the 1990s home ownership rates amongst Blacks and other non-whites steadily rose. As we have seen previously, national policy makers consistently viewed increasing home ownership rates in Black urban populations as a significant part of the solution to the long term racial disparities present in the country's cities. In 1995, a year after the Clinton administration set a target for an overall home ownership rate nationally for all Americans of 67.5% the home ownership rate for Blacks was 42%, compared to around 70% for non-Hispanic whites; by 2001 this figure had reached 47% for Blacks and the mid-70s for non-Hispanic whites.[48] "This is about more than money and sticks and

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44 U.S. Census Bureau; 2001 Statistical Abstract of the United States, Section 25 Banking, Finance, and Insurance, No. 1190. Consumer Credit Outstanding and Finance Rates: 1980 to 2000, p. 735. < https://www2.census.gov/library/publications/2002/compendia/statab/121ed/tables/banking.pdf > (June 2, 2022).

45 Nick Ravo. "Home Equity Loans Back in Fashion". *New York Times*, September 11, 1994. Accessed January 31, 2022, https://www.nytimes.com/1994/09/11/realestate/home-equity-loans-back-in-fashion.html

46 Hyman, *Debtor Nation*, 276.

47 Schwartz, "Finance and the State in the Housing Bubble," 61.

48 Kat Aaron and Michael Lawson. "Timeline: Homeownership in America, 1995-2010". *Mother Jones*., July 29, 2011. Accessed January 31, 2022, https://www.motherjones.com/politics/2011/07/homeownership-trends-timeline/ ; John F. Harris. "Clinton Pushes Homeownership Strategy", *Washington Post*, June 6, 1995, Accessed, May 12, 2022; Ronald Bernstein, "Minorities' Home Ownership Booms Under Clinton but Still Lags Whites'", *Los Angeles Times*, May 31, 1999.

boards and windows," spoke Clinton. "This is about the way we live as a people and what kind of society we're going to have." The Bush administration continued to push rising home ownership in the 2000s stating their desire for the addition of at least another 5.5 million minority homeowners by 2010.[49] Speaking in October 2004 Bush remarked, "We're creating... an ownership society in this country, where more Americans than ever will be able to open up their door where they live and say, welcome to my house, welcome to my piece of property." The rhetoric of this era struck straight to the core of how Americans related to housing and the communities in which they lived. Owning your own house meant financial security. Since the establishment of the country Americans had valued autonomy and "rugged" individualism; Jacksonian democracy had prioritized the "small yeoman farmer" as an idealized American citizen and in the industrialized world this was treated as the antecedent to becoming a modern homeowner.[50] During times where inflation could be driven up by foreign crises or oil shocks it was a reliable, steadily appreciating form of investment. It insured you against future price of housing increases that could come suddenly from rent hikes and other predatory behavior from landlords. In a time where many working and middle class incomes were stagnant the costs of living continued to rise, consumer debts mounted; owning a house potentially meant the difference between retiring in comfort or being forced to work in undesirable or even physically painful jobs until one's death.

However, by the 1990s and 2000s the Clinton and Bush administrations also eagerly encouraged the proliferation of new mortgages and housing sales, to whites and non-whites alike, because the American economy and increasingly a global financial system were being tied to the performance of American housing markets. Off-shoring labour-intensive industrial production to countries such as China where labour was inexpensive and importing the resulting cheap consumer goods helped reduce inflationary pressures in the United States and kept interest rates low through the 1990s and early 2000s.[51] Low interest rates enabled the housing boom as the American domestic housing market's volume of sales increased, driving prices up and creating a bubble by 2000 as housing prices outran incomes.[52] In encouraging the growth in the secondary market in mortgages American policy makers enabled foreign financial capital to participate in lending in American markets to an unprecedented degree in the late 1990s. Without this foreign financial institutions would have been

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49 Stuart A. Gabriel and Stuart S. Rosenthal. "The Causes of Increase in Homeownership in the 1990s". *Research Institute for Housing America*. October 2003., 3.
50 Richard Ronald. *The Ideology of Home Ownership*. (New York: Palgrave Macmillan, 2008.), 138.
51 Schwartz, *Subprime Nation*, 174.
52 Ibid., 110; Baily, et all. *The Origins of the Financial Crisis*, 11.

forced to enter the American mortgage market themselves. With widespread securitization the added liquidity to the system offered these institutions a way to participate without the complication of requiring intimate knowledge of American housing and financial markets.[53] Foreign investment followed housing prices upwards. In 2001 foreign holdings of the GSE's mortgage-backed securities amounted to around $133 billion; by 2007 this amount would exceed $1 trillion.[54] In June, 2006 foreign investors held 16.8% of all debt generated by the GSEs.[55]

This expansion of foreign investment in American financial markets for mortgage-backed securities was in part enabled by the opacity of the new deregulated financial instruments that were being created by financial institutions in the 2000s. As demand for American mortgage-backed securities grew abroad American financial institutions enhanced the desirability of their financial products by disguising a growing number of subprime and Alt-A mortgages as prime by hocking them off to unaware European and Asian investors. Enabled by the deregulation of securities markets in the 1990s American financial institutions increasingly chopped up mortgage pools into different collateralized debt obligations (CDOs) with the intent of making these new mortgage-backed securities appear low-risk on the secondary market, when they were increasingly being padded with non-prime mortgages.[56] CDOs were not a new invention in the 2000s, but the expectation was that they represented similar risk pools of mortgages. This was the fundamental basis for why securitization was attractive to outside investors. Released from regulatory oversight by a federal government friendly to financial interests and very keen to see improvements in home ownership rates private securities creators used the opportunity to create a greater volume of sales on secondary markets by mixing in subprime and Alt-A mortgages to increase the size of the pool they could sell from. The escalating complexity of the "chopping" process made it difficult for securities buyers to parse out what they were buying; a process assisted by the ratings agencies who were financially incentivized to look away from the illicit behavior.[57]

As the housing boom took off during the Clinton administration Blacks were not immune from

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53 Schwartz, "Finance and the State in the Housing Bubble," 60.
54 Ibid.
55 Ibid., 63.
56 Schwartz, *Origins and Consequences of the U.S. Subprime Crisis*, 194-5.
57 Gotham, "Creating Liquidity Out of Spatial Fixity," 40; Matt Krantz, "2008 crisis still hangs over credit-rating firms". *USA Today*, September 13, 2013. Accessed, January 31, 2022; This process of mixing in "bad" mortgages into the pool of "good" mortgages is similar in concept to how a medieval King might attempt to raise money by devaluing a currency by mixing in non-valuable metals into the coinage. A principal advantage of the new "opaque" financial instruments, to continue this analogy, would be to prevent medieval merchants from being able to tell whether the new coins suddenly possessed a lower amount of valuable metal in them.

the desire to take part and win a piece of the boom for themselves. As the federal government encouraged mortgage institutions to lend to minority populations Blacks able to take part attempted to do so. Concurrently, predatory lending practices bubbled up again taking new forms during the 1990s. One new form was payday loans. Banking in Black communities had generally been left to check-cashing stores; small local financial institutions and pawn stores. In the 1990s larger banks began to market to these communities either themselves, or through subsidiaries.[58] Payday lenders took advantage of the high barriers to entry for Blacks into credit card markets, which often required existing credit histories for access as well as the sometimes inconsistent and volatile incomes to offer small "bridging" loans to help cash strapped families pay bills at usurious interest rates.[59] Payday lending exploded in popularity through into the 2000s with 22,000 locations and a market volume of $44 billion by 2005.[60] Payday lenders targeted minority communities; a report from the Pew Charitable Trust in 2012 indicated that 12% of Blacks used payday lending, compared to 4% of whites and 6% of Hispanics.[61]

The other practice that grew in the 1990s was subprime mortgage lending. Subprime lending refers to loans made against real estate where the conditions were harsher on the borrower than the market norms.[62] In standard practice these loans are made because lenders perceive higher risk in default from the borrower rationalizing harsher conditions as compensation for taking on extra risk. They became predatory because often the conditions to meeting the demands of the loan were impossible to match resulting in near-guaranteed defaults. The first wave of subprime loans were second mortgages advertised to already existing home owners, in particular non-whites in traditionally redlined neighborhoods.[63] The second and much larger wave consisted of subprime loans for home purchases.

The impetus for the second, larger wave was for a variety of reasons. Firstly, there was an increasing demand for mortgage-backed securities on deregulated financial markets which were to be sold to buyers both foreign and domestic. Traditional practice until the mid-1990s was that only prime rated mortgages were to be securitized and re-sold on secondary markets. In the late 1990s as demand

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58 Gary A. Dymski. "The Reinvention of Banking and the Subprime Crisis". *Subprime Cities*, edited Manuel B. Aalbers. Malden: Blackwell Publishing Ltd., 2012.), 159.

59 Ibid., 158.

60 Ibid.

61 Nick Bourke, Alex Horowitz, and Tara Roche, "Who Borrows, Where They Borrow, and Why" *Pew Charitable Trust*., July 2012., 11.

62 Gary A. Dymski. "The Reinvention of Banking and the Subprime Crisis," 158-9.

63 Ibid.

for mortgage-backed securities skyrocketed this practiced decayed and more and more subprime mortgages were increasingly packaged in with prime loans.[64] As discussed above this process required illicit financial behavior on part of financial institutions to disguise this process to buyers of these securities; and the increasingly pervasive presence of CDOs containing subprime mortgages helped spread contagion through the global financial system.

Secondly, the eager encouragement of the federal government which saw value in increasing home ownership numbers amongst minority populations and pushed the GSEs to increase securitization of low-income and minority mortgage lending. In the increasingly financialized economy of the late 1990s and early 2000s federal officials, regulators, and politicians were increasingly captured by financial capital.[65] The deregulation that was driving growth in financial markets was implemented with the ideological understanding that rational markets would not indulge in predatory and self-destructive activities.[66] When Congressional Republicans pushed the Gramm-Leach-Bliley Act in 1999 to eliminate regulations preventing the consolidation of commercial and investment banks by repealing the New Deal era Glass-Steagall Act Clinton along with Secretary of the Treasury Robert Rubin and his successor Lawrence Summers supported the effort, citing the need to "modernize" the financial system, ensuring passage.[67] When the Bush administration attempted in 2002 to establish an independent regulator for the GSEs, Democrats resisted and even threatened a filibuster in the U.S. Senate to kill the proposal.[68] Democrats resisted attempts to restrict the activities of the GSEs because they felt it would place their home ownership strategy at risk. Republicans felt that the GSEs were being given an advantageous role in financial markets at the expense of private capital.[69] The federal government's involvement in encouraging the GSEs to lend increasingly mirrored the FHA scandal of the 1960s and early 1970s where "middlemen" used loose regulatory frameworks to target poor Blacks. Both Democrats and Republicans looked at growing home ownership rates as evidence that deregulation of the financial system was working as they had hoped regardless of mounting evidence in the early 2000s that mortgage issuers were predating on low-income borrowers.

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64 Ibid., 157-8.

65 "Capture" in this case refers to a form of corruption of authority where politicians, officials, or regulators are co-opted by the interests they are intended to oversee.

66 Edmund L. Andrews. "Greenspan Concedes Error on Regulation". *New York Times*. October 23, 2008., Accessed February 6, 2022, https://www.nytimes.com/2008/10/24/business/economy/24panel.html

67 Robert Rubin left as Secretary of the Treasury days before passage of Gramm-Leach-Bliley to take a position at Citigroup. Citigroup spent over $100 million in lobbying Congress for the repeal of Glass-Steagall. See Helena Yeaman. "The Bipartisan Roots of the Financial Services Crisis," 692.

68 Ibid., 687.

69 Ibid., 689.

Thirdly, financial capital saw an opportunity to increase profits by targeting minority groups, in particular Black communities, with predatory lending. Financial institutions that loaned in revolving credit such as credit cards and home equity loans in particular searched for "revolvers", borrowers only capable of paying minimum fees month-to-month, because they yielded the highest profits on interest payments. Revolvers tended to be lower income and non-white.[70] As financial institutions looked to find "revolver" type borrowers whom they could extract profits from they found opportunities to push subprime loans on Black communities at an accelerating rate. Some Black communities suddenly became purposely flooded with credit. Between 1993 and 1999 subprime lending increased 900% in the inner cities as prime lending declined.[71] The overall volume of subprime lending increased from $35 billion in 1994 to $530 billion in 2004. By 2006 potentially as much as 40% of the $3 trillion in loans made that year alone may have been subprime.[72] As prime mortgage markets became saturated mortgage lenders lowered their standards to search for new borrowers; pushing adjustable rate mortgages, no down payments and other terms that backloaded potential costs on borrowers to keep securitization moving. This tendency to eventually seek out less favorable borrowers to sustain growth was typical of housing and credit markets in general. For example when bubbles form usually the least credit-worthy or riskiest borrowers are the last to be pulled in as the bubble inches towards its maximum extent. By 2004-06 the majority of mortgage originations were either subprime or Alt-A; an indication that the housing bubble in the United States was reaching this point.[73]

As subprime lending increased it necessarily interacted with the already well-established segregated urban geographies of American cities. This is the basis for what can be described as "reverse redlining." Reverse redlining as a concept was originally conceived by George Washington University professor Gregory D. Squires who was attempting in the mid-2000s to make sense of some of the fundamental contradictions that he saw with the rises in predatory lending in minority communities. These communities after being subject to long term credit scarcity imposed by redlining were now, beginning in the early 1990s, being flooded with credit. That credit *abundance* was now a defining feature of the economic landscape of minority communities with the caveat that this new-found access was simultaneously dominated by predatory lending markets.[74] But this definition of reverse redlining can be expanded to contextualize these predatory lending practices within a broader

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70 Hyman, *Debtor Nation*, 243.
71 Dymski. "The Reinvention of Banking and the Subprime Crisis," 159.
72 Richard A. Posner. *A Failure of Capitalism*. (Cambridge: Harvard University Press, 2009.), p. 25.
73 Schwartz, *Subprime Nation*, 176.
74 Gregory D. Squires. "Predatory Lending: Redlining in Reverse."

perspective of this particular moment in American history. Redlining specifically was intended to affect a particular geographic area by design; reverse redlining also affected these areas during the apogee of its practice. Reverse redlining is the intersection of two significant currents of American history; first, racialized and segregated urban geographies created by redlining and the racist practices of private financial capital beginning in the turn of the nineteenth to the twentieth centuries and second, the more recent financialization of the American economy after the stagflationary crises of the 1970s. Reverse-redlining differs from the previous practice of redlining primarily by the nature of redlined communities's exploitation by financial capital. Expanding upon Keeanga-Yamahtta Taylor's concept of *predatory inclusion* private financial capital was unwilling to lend to redlined communities in the 1980s because they did not see value or profit in doing so.[75] In a political and economic environment dominated by deregulatory exuberance, mortgage lenders by the 1990s and 2000s increasingly began to see potential profits in targeting Blacks because it allowed the expansion of the new financial business models that prioritized securitization of mortgage lending after the demise of S&Ls in the early 1990s. "Inclusion...", quoting Taylor, "created the conditions for continued extraction as opposed to development and actual renewal."[76] Black communities were viewed as either "bad candidates" for lending by financial institutions or as stupid dupes who could be manipulated for profits; both of which could justify harsher loan terms.

The Wells Fargo settlement that emerged out of the company's practices in Baltimore are an insight to how mortgage-lenders viewed the communities they were targeting during the bubble. Employees of the company referred to the people they were targeting as "mud people" and the subprime lending they were pushing on them as "ghetto loans." Wells Fargo also had a unit specifically organized to target local Black churches to push subprime loans on congregants.[77] Wealthier Black suburbs such as Prince George's County in Maryland, and Warrensville Heights in eastern Cleveland also became hotbeds of subprime lending, regardless of the wealth status of their residents.[78] Even high credit scores could not protect middle and upper class Black families from being targeted for subprime lending. Research on the subject indicates that more than half of those given high interest rate loans during the subprime lending crisis should have been able to qualify for prime

75 Taylor, *Race for Profit*, 253-4.
76 Ibid., 255.
77 Michael Powell, "Bank Accused of Pushing Mortgage Deals on Blacks," *New York Times*., June 6, 2009, Accessed February 6, 2022.
78 Monica Potts. "The Collapse of Black Wealth," *The American Prospect*, November 21, 2012. Accessed February 2, 2022, https://prospect.org/civil-rights/collapse-black-wealth/

mortgages.[79] The segregated nature of both these wealthier Black neighborhoods as well as traditionally poorer inner city neighborhoods meant that as the bubble burst the effect of the crash in housing prices and the resulting foreclosures was guaranteed to be geographic in nature: spreading economic damage through out these neighborhoods; dragging down home values and creating more foreclosures in a cascading disaster.

During the 1990s the most obvious area of interaction between the declining local economy of the Cleveland area, the growing prominence of neoliberalism and the segregated Black neighborhoods of the East Side was in the growing state of crisis in Cleveland Public Schools. Education was closely related to housing and the health of neighborhoods in the United States because public schools were, and continue to be, typically funded through local property taxes collected by local governments. Poorer communities produce fewer tax revenues which then in turn produce underfunded public school systems.[80] The struggle over Civil Rights had made the education system a flash point of racial tensions in the United States and desegregation of public schools encouraged a continued steady flight of white residents who resented the integration of local public schools out of Cleveland and into the suburbs. By 1994 segregation of the public school system was becoming a problem once again as Black enrollment in CPS consisted of 71% of the student body, compared to 58% in 1976.[81] As property tax collection waned so did funding and student performance. Reform advocates increasingly looked to privatization through the use of publicly-funded voucher programs that would allow parents to send their children to private schools instead of the ailing CPS. Reformers used the economic decline of Cleveland as a mechanism to attack CPS's teachers unions as well as to turn the city's education system into an opportunity to produce profit. Political leadership stepped in with a desire to reform CPS: making a majority of the school board unelected positions appointed by political authorities; then pushing through a partial privatization of CPS through a publicly funded voucher system thus spearheading a process that would be replicated elsewhere nationally.[82] The experience of the attempted privatization of CPS was emblematic of the politics of the 1990s and an indication of where power was gathering and who did and did not have the bulk of it during the bubble years. As the public education system became associated with the city's Black communities it increasingly became a

79 Algernon Austin. “A good credit score did not protect Latino and black borrowers”. *Economic Policy Institute*, January 19, 2012., Accessed February 2, 2022, https://www.epi.org/publication/latino-black-borrowers-high-rate-subprime-mortgages/

80 Alana Semuels. “Good School, Rich School; Bad School, Poor School”. *The Atlantic*, August 25, 2016., Accessed, February 3, 2022, https://www.theatlantic.com/business/archive/2016/08/property-taxes-and-unequal-schools/497333/

81 “Cleveland Public Schools” Encyclopedia of Cleveland History, https://case.edu/ech/articles/c/cleveland-public-schools

82 Ibid.

target for privatization and dismantling.

The underlying fiscal collapse in Cleveland's public school system was in part also driven by the city's continuing economic decline. The 1980s through into the early 1990s had initially been a period of relative optimism in the city. Many in the city saw the 1978 default as the bottom of the city's fortunes and numerous campaigns bubbled up through these years to advertise the city's recovery. The downtown area of the city in particular had enjoyed a sustained period of construction starts during the Voinovich and White administrations. Even the *New York Times* felt prepared to compare Cleveland to Dallas.[83] The optimism was shared in a *Plain Dealer* piece on New Year's Day, 1990 by Larry Robinson, a local white civic leader who had the ear of politicians in Cleveland. Listing seven major reasons for optimism Robinson argued that, “despite persistent social problems, the 1990s may be one of the best economic eras for Cleveland since it was America's boom town at the turn of the century.”[84] This optimism however continued to be frustrated by continuing long-term economic woes in the city. Between 1983 and 2005 the city's metropolitan area lost over 40% of its remaining industrial jobs.[85] The loss in manufacturing was also accelerated by the signing of the North American Free Trade Agreement in 1994 which would eventually lead to the loss of 50,000 primarily blue-collar jobs in Ohio broadly.[86] Despite this Robinson echoed a sense that the city was turning around: “improvement will require an army of volunteers to help, and large numbers of Greater Clevelanders are already enlisting. Breakfast meetings for non-profit groups now fill downtown eating places. There is a sizable increase in the number of benefit events...” Even as the years of decline and disappointment had whittled away at the city's edifice elite Clevelanders still took significant pride in the city's cultural capital by the 1990s. “In the meantime,” Robinson continued, “Cleveland offers almost every advantage a major city can furnish. No other American city except New York has a symphony orchestra, museum, and ballet company as high in quality as Cleveland's, together with our sports teams, health facilities, and other attractions... By comparison, Cleveland now enjoys significant competitive advantages, and there are many hopeful signs for its economic future.”[87]

In 1995 after a long running dispute with the city over its refusal to provide the public funding necessary to build a new “first-class stadium” the Cleveland Browns's long-time owner Art Modell

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83 Souther, *Believing in Cleveland*, 199.
84 Larry J.B. Robinson, “Cleveland's 7 reasons for optimism,” *The Plain Dealer*, January 1, 1990, Accessed, May 12, 2022.
85 Souther, *Believing in Cleveland*, 199.
86 Olivera Perkins, “Ohio lost 50,000 jobs to NAFTA: Near top in U.S.,” *The Plain Dealer*, September 10, 2017, Accessed, April 21, 2022. https://www.cleveland.com/business/2017/09/ohio_lost_50000_jobs_to_nafta.html
87 Robinson, “Cleveland's 7 reasons for optimism.”

announced that he was relocating the team to Baltimore.[88] The city had attempted to rally to prevent the team's move during the autumn of 1995; but Cleveland had come up short in the national market place of metropolitan urban areas. Baltimore and the state of Maryland could afford to give up more to Modell, Cleveland and the state of Ohio could not. Mayor White talked of how the city had been "kicked in the teeth" by the move.[89] Fans at the last home game of the season sawed up seats, threw firecrackers onto the field during the third quarter and hung an effigy of Modell; a move *The Plain Dealer* called "obnoxious" and "certain to backfire."[90] The city had already committed funding to save the then-Cleveland Indians[91] during the early 1990s; funded an arena deal to bring the Cavaliers back downtown and was trying to reach a funding deal. However, Modell deeply indebted after a combination of dubious financial decisions including a bad deal he struck with the city over Municipal Stadium in 1973, was angry with the city and decided to use the Browns to take out that frustration.[92] The Browns were gone. The National Football League in the fallout promised a new expansion team in 1999 and Cleveland built a new stadium to house them after passing a new municipal tax to fund it; but Cleveland fans were slow to take to the new Browns, with one fan dubbing the new stadium the "Factory of Sadness."[93]

The episode of the Cleveland Browns leaving for Baltimore was an indication of where Cleveland was in the nineties. Cleveland had at one time been the fifth largest city in the United States. Standard Oil had been founded there in 1872. It had been a critical manufacturing centre that built the war materiel that helped win the Second World War. The then-Indians had won the World Series in 1948; the Browns had won the 1964 NFL Championship. These things *had* all happened. Losing the Browns in 1995 was a painful message to many that Cleveland was not in the same league, literally and figuratively, as the great metropolitan centres of American life. While Clevelanders could join in at times on the joke of chuckling about the 1969 Cuyahoga River Fire; Mayor Ralph Perk's hair being lit

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88 Branson Wright, "Cleveland Browns move to Baltimore left city stunned, angered: PD 175th (photos)," *The Plain Dealer*, April 30, 2017, Accessed, April 28, 2022, https://www.cleveland.com/ohio-sports-blog/2017/04/cleveland_browns_move_to_balti.html

89 John Funk, "White exhorts 300 shock troops to help rally fans nationally," *The Plain Dealer*, November 12, 1995, Accessed, April 28, 2022.

90 "A tantrum won't help," *The Plain Dealer*, December 17, 1995, Accessed April 28, 2022; Vinnie Perrone, "Browns Bow Out, Fans Take Seats," *Washington Post*, December 18, 1995, Accessed April 28, 2022, https://www.washingtonpost.com/archive/sports/1995/12/18/browns-bow-out-fans-take-seats/ee1ef848-9d0e-4f4e-9710-1dbe4b4538b0/

91 In the 1990s the now Cleveland Guardians were still known as the Cleveland Indians.

92 Mary Kay Cabot, "Art Modell's decision to move Cleveland Browns haunted him for rest of life," *The Plain Dealer*, September 7, 2012, Accessed, April 28, 2022, https://www.cleveland.com/browns/2012/09/art_modell_never_really_recove.html

93 Souther, *Believing in Cleveland*, 202.

on fire in 1972 after trying to use a blow torch for a ribbon-cutting ceremony; episodes like *Forbes* magazine designating Cleveland “America's most miserable city;” Lebron James making reality television out of The Decision to leave the Cavaliers and take his talents to South Beach in 2010 and the Browns leaving in 1995 hurt tremendously.[94] Quoting J. Mark Souther in *Believing in Cleveland*, “it is no accident that the city's convention and visitors's bureau, first renamed Positively Cleveland and then Destination Cleveland, adopted the simplistic slogan “This is Cleveland...”[95]


*Figure 2.1: Mayor Voinovich throws the “first plum” at an Indians game.*[96]

At the end of 1995 *The Plain Dealer* ran an extended article as a part of Cleveland's bicentennial detailing the city's rough trajectory as a city, remarking on the city's rise, decline and then embracing the optimism that characterized many elite perspectives on where Cleveland was as a city in the mid-1990s. Quoting a *Washington Post* article from 1986 it detailed two Clevelands, the New and the Old. The “New Cleveland” was the “corporate headquarters, service, and professional jobs, downtown construction, recreation and cultural amenities,” the Old was “neighborhoods struggling against decay, double-digit unemployment, racial tension, factory closings, poverty, and long-suffering

94 Ibid.
95 Ibid.
96 “George Voinovich throws out the first plum at an Indians-Yankees game, launching a campaign to sweeten Cleveland's image nationally,” *Encyclopedia of Cleveland History*, https://case.edu/ech/media/1871 (Accessed July 13, 2022); Then Mayor of Cleveland Voinovich initiated the “Cleveland is a plum” advertising campaign for the City of Cleveland at an Indians home game against the New York Yankees. A part of an extended effort by Cleveland elites to revitalize the city's image nationally.

schools."[97] The optimism of city elites focused on the "New Cleveland," largely located in the downtown and out in the outer suburbs; but the day-to-day experience of most of Cleveland's residents was by far defined by their relationship to the "Old Cleveland." Elites wanted to focus on rebuilding the city's image and using that new image to attract capital; but even as they saw the green shoots turning the city around it was clear that much of the new development in the city was uneven and that the East Side's stagnating neighborhoods were not being factored into that renewed perceived "success" they saw emerging at the end of 1995.

Cleveland's experience of the housing bubble and subprime lending differed from many of the other highly affected regions. Unlike areas of high capital accumulation and population growth in the 1990s and 2000s, such as in the south-western and south-eastern housing markets, Cleveland was steadily depopulating and stagnating economically. As explained above the growth of subprime was in two waves: the first tended to be oriented around refinancings; the second larger wave was of home purchases. By 1995 over 45% of all refinance loans were being made by subprime lenders. This percentage stayed largely stable deep into the 2000s.[98] Subprime refinance loans by definition targeted existing home owners and as a result of this they tended to target more elderly populations. Initially the lenders in this case tended to be smaller, more local financial institutions who found potential targets for these loans through public records, door-to-door solicitations, mail and through the phone, consistent with the banking models that were present in Black communities prior to the 1990s. As lending accelerated national banks began to expand the scope of finding new targets to television, print, radio, etc.[99] The rapid expansion of subprime lending in Cleveland and Cuyahoga County more generally can be seen through subprime home purchase loans. In 1995 just over 3% of all loans were originated by subprime lenders in Cleveland. By 1998 this figure reached 19%, and by 2004 it would reach 45% of all home purchase loans.[100] The discriminatory nature of these loans can be seen through denial rates in the Cleveland area where upper income Blacks were denied both home purchases and home refinancing loans at higher rates than lower income whites.[101]

By the late 1990s and early 2000s Cleveland's largest newspaper *The Plain Dealer* was already picking up on the growing pace of subprime lending. The paper's first story referring to subprime

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97 Andrew Benson, "The building of a city and a region," *The Plain Dealer*, December 31, 1995, Accessed, May 4, 2022.
98 Jeffrey D. Dillman. "Subprime Lending in the City of Cleveland and Cuyahoga County". *Kirwan Institute for the Study of Race and Ethnicity*, February, 2010., 8.
99 Ibid., 9.
100 Ibid., 8.
101 Ibid.

lending was titled “Home lenders more flexible with certain credit risks,” published in mid-1996.[102] By 1998 there were stories regularly either making reference to the increasing quantity of subprime lending occurring in the city or attempting to educate potential borrowers on what subprime loans entailed and the involved risks. A story from November 9, 1998 even ties the growth in subprime lending to securitization, suggesting that it was a “relatively new financial tool in which loans of dubious quality are pooled together and sold on Wall Street.”[103] The pace of increasing interest from *The Plain Dealer* accelerated into the 2000s. Mortgage lenders were eager to sanitize the image of subprime lending and to portray it as a normal and healthy part of the housing market. But even before the apogee of the bubble in the mid-2000s it is clear from the tone and content of articles published by *The Plain Dealer* that it was increasingly difficult to mask the predatory nature of the financial activities occurring. “Be a smart home buyer, even with subprime lender” reads an article in September of 2000, warning readers that even if “subprime lenders can play an important role in offering home ownership” that there were considerable dangers involved for local Cleveland residents.[104] The specifically racial dimensions of reverse redlining were being noticed by 2001 in *The Plain Dealer*, with articles specifically remarking how locally in Cleveland Blacks were more likely to receive subprime lending compared to whites and that higher income Blacks also similarly were being targeted with less favorable loan terms compared to white mortgage applicants. “Some lenders aren't factoring in risk, they're factoring for the color of someone's skin,“ said Diane Citrino, a local Cleveland fair-housing attorney in a late 2001 article.[105]

Cleveland's experience of the housing bubble also differed from other markets in that housing prices never were able to reach the sort of spectacular rise that occurred elsewhere in the United States. Housing prices between 2000 and 2005 in Cleveland only rose at one fifth the national rate.[106] The downward pressure on housing prices originated from an earlier increase in foreclosures in the city compared to the rest of the country. In Cuyahoga County foreclosures began to rise in 1994 with 4,335 foreclosures, finally reaching a high in 2007 when there were 14,946 foreclosures.[107] Despite this

102 Kenneth R. Harney, “Home lenders more flexible with certain credit risks”. *The Plain Dealer*, July 21, 1996. accessed, March 27, 2022.

103 Mary Kane, “Credit crunch hits subprime home-lending market”. *The Plain Dealer*, November 9, 1998, accessed March 27, 2022.

104 Armond D. Budish and Kurt Karakul, “Be a smart home buyer, even with subprime lender”, *The Plain Dealer,* September 23, 2000, accessed April 2, 2022.

105 Teresa Dixon Murray, “Blacks get higher rate of subprime home loans”, *The Plain Dealer*, November 15, 2001, accessed April 2, 2022.

106 “Spotlight on Cleveland” *Department of Housing and Urban Development*, September 2011., accessed February 3, 2022.

107 Dillman, *Subprime Lending in the City of Cleveland and Cuyahoga County*, 14.

prices still rose significantly with the median home price rising by 56% between 1996 and 2002.[108] Regardless of rising foreclosures mortgage issuers continued to target locals. Incentivized by weak mortgage laws in Ohio and disinterested regulators, financial institutions and speculators worked a client base that largely lacked the knowledge and assistance necessary to defend themselves from unscrupulous behavior:

> Then there were flippers. They paid old women $40,000 for their houses, then turned around and sold them for $60,000 to suckers whose greed was inflamed by "Get Rich Quick in Real Estate!" informercials, and by the inflated real estate market of the late 1990s, when properties were doubling and tripling in value. Hapless bargain hunters purchased houses on the internet, only to find them boarded up and stripped of every metal fixture. A California artist looking for a cheap home/studio bought a Slavic Village house that turned out to be condemned. (After many trips to housing court, he brought it back up to code.)[109]

Agents felt secure enough to aggressively go door-to-door pointing out damage on residents' homes to market refinancings to fix such damage on the Cleveland East Side, naturally leaving out details about adjustable rates and other complications to the products they were hawking. They were incentivized to give the worst loan conditions they could get a prospective borrower to sign to. Adjustable rate mortgages got higher commissions for example and agents often tried to fraudulently overvalue properties to push up the value of the mortgage. People who had been systematically denied credit for generations were subjected to repeated phone calls and visits by salespeople who eagerly told them that a home of their own was possible.[110]

The story of Anita Gardner, a resident of the East Side and owner of a house since the early 1970s was typical. Her two sons were targeted by agents who convinced them to sign a "second mortgage" on their mother's almost paid off house. She connected their story to the deindustrialization of the region and the closure of the nearby steel plant J&L Steel which had been the biggest employer in the neighborhood for decades, "This couldn't have happened if people had good jobs... Or why would they change their mortgage? They were desperate for money. It was targeted. It was definitely targeted. Mortgage agents were going door to door, calling on the phone. It was in the air: 'You don't have to have credit. You can have nice things.'"[111] Her sons ran into repayment problems and

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108 Mark Gillespie and Teresa Dixon Murray, "Crisis hit county long before nation," *The Plain Dealer*, October 1, 2008, Accessed, May 13, 2022.

109 Edward McClelland, "Cleveland: Ground zero for the housing bubble," *Salon*, May 12, 2013, Accessed April 27, 2022, https://www.salon.com/2013/05/12/cleveland_ground_zero_for_the_housing_bubble/

110 Ibid.

111 Ibid.

eventually needed a bailout from mom who emptied out her savings to bail them out. She was forced to eventually evict her own sons and negotiated with Countrywide Financial to buy the house back before being informed by the company that the employee she had talked to had no authority to cut a deal. "Why should we take $25,000 when we can get $70,000," an agent argued, "We will get the money from your son. We will prosecute him."[112] Gardner appealed to ESOP – Empowering and Strengthening Ohio's People, a social service agency that devoted much of its resources to help provide residents with the knowledge and assistance needed to confront predatory lenders such as Countryside during the late 1990s and 2000s. While she managed to save her house the neighborhood she lived in had been devastated, "there was seventy-six houses on the street, and now only eleven are occupied."[113]

By the end of the 1990s Cuyahoga County possessed the highest foreclosure rate in the United States.[114] In 2002 the Cleveland City Council attempted to pass an ordinance that would have banned predatory lending in the city but they were pre-empted by an Ohio state law that banned municipalities from attempting to regulate or eliminate the practice themselves.[115] By the end of that year the workloads at the courts processing foreclosures were full. "I've been dealing with them for more than 25 years, and the courts have never had a caseload like this," said Attorney Michael Linden, a regular legal representative for banks in foreclosure cases at the time.[116] Foreclosures rose 40% in 2002 alone in Cleveland. Many of the cases resembled that of Evelyn Alvarado, a diabetic double amputee with heart disease who despite having significant difficulty moving around remained determined to try to save the small house she bought in 1991.[117] Ohio's move to deny the city of Cleveland the capacity to attack predatory lenders itself encouraged more of those lenders to market their product in the city.[118]

The broad economic and demographic position of Cleveland as a declining industrial region dominated by the racial dynamics of white flight helped significantly to produce the sort of stagnation and residential segregation necessary to create the prevailing situation in the early 2000s in the city. Most of the country and in particular the high growth regions that produced the largest bubbles experienced the big wave of foreclosures later than Cleveland where foreclosures were already trending upwards during the late 1990s. "Cleveland," said Charles Bromley, director of the Metropolitan

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112 Ibid.
113 Ibid.
114 Ibid.
115 Nick Carey, "Ohio on front line in U.S. Housing meltdown," *Reuters*, February 25, 2008, Accessed April 27, 2022, https://www.reuters.com/article/us-usa-ohio-foreclosures-idUSN1922461920080225
116 Frank Bentayou, "Fenced in," *The Plain Dealer*, December 15, 2002, Accessed, April 27, 2022.
117 Ibid.
118 McClelland, "Cleveland: Ground zero for the housing bubble."

Strategy Group, "has been downtown central for predatory lending. It's always first among Ohio metro areas in predatory lending, and Ohio is always in the top six or seven states in the nation."[119] Despite this, Cleveland housing prices managed to peak in October 2005.[120]

Beginning in about late 2006 to early 2007 the global financial system began to run into trouble. Years of growth in housing prices had outstripped the capacity of prospective home owners to pay the increasing costs. Mortgage issuers had attempted to get around this problem by offering mortgages with various conditions that might allow new borrowers into the market; but by 2006-07 the adjustable rate mortgages were beginning to re-adjust upwards driving homeowners into default. Just at the end of 2006 alone the major ratings agencies in the United States were forced to downgrade the rating of 1200 CDOs from AAA straight to junk, essentially admitting that they were mostly valueless.[121] American financial firms had made a global financial market boom built on opaque securitization of subprime lending. As both domestic and foreign financial institutions, central banks, and other investors rapidly determined, or at minimum could guess, that many mortgage-backed securities on the market were filled with a sort of poison they lost confidence in the actual value of any financial institution believed to be exposed to the contagion in the system.[122] A system greased by the predatory inclusion of hopeful and at one point optimistic minority homeowners now had seized up almost entirely by early 2008.

As it became clear that the stability of the financial system was coming under threat the federal government intervened. In August of 2007 Bank of America with the assistance of the Federal Reserve bailed out Countrywide Financial which was handling 10% of all new mortgage originations and had a hand in 20% of all existing mortgages at that time.[123] IndyMac went into federal receivership in July, 2008 and Fannie Mae, Freddie Mac, and insurance behemoth AIG needed to be rescued by a capital injection amounting to about 80% of their shares.[124] By September 2008 the crisis escalated. On the 7th of September the Federal Reserve nationalized Fannie Mae and Freddie Mac thus ending the semi-privatized structure that had existed since the late 1960s and early 1970s. Within a week the Treasury and the Federal Reserve attempted to pull back from their deep interventions citing lack of authority.

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119 Ibid.
120 "Spotlight on Cleveland," *Department of Housing and Urban Development*.
121 Daniel J. Hammel, Markus Moos, and Elvin Wyly. "Race, Class, and Rent in America's Subprime Cities". *Subprime Cities*, edited Manuel B. Aalbers. Malden: Blackwell Publishing Ltd., 2012, 245.
122 Ibid.
123 Herman M. Schwartz, "Origins and Consequences of the U.S. Subprime Crisis" in *The Politics of Housing Booms and Busts*, ed. Herman M. Schwartz and Leonard Seabrooke. New York: Palgrave Macmillan, 2009, 191.
124 Ibid.

This left Lehman Brothers, the fourth-largest investment bank in the United States, to its fate and lead to the financial giant filing for bankruptcy. Stock markets immediately imploded threatening a general collapse of the financial system before the federal government reversed strategy in light of the bloodbath on Wall Street and sought legislative authority to protect the integrity of the financial system at any cost.[125] Their nerves shot by the scale of the crisis unfolding on Wall Street, Congress passed the Troubled Asset Relief Program (TARP) in late September. TARP was just a part of what became a demonstration of the financial power of the United States federal government. In addition to the $700 billion authorized by Congress for TARP specifically, the Federal Reserve would end up deploying, guaranteeing, or potentially making available about $23 trillion in a series of programs intended to shore up the financial system through a series of short-term loans intended to provide the liquidity for seized up global markets.[126] If the financial crisis had seized up global financial markets, the Treasury and the Federal Reserve were determined to throw a virtual unlimited amount of capital at unclogging it. It was in this environment, one that for many resembled that of the 1929 Wall Street crash, that Barack Obama was elected president.

Reverse redlining affected the Obama presidency in two primary ways. The first was his administration's response to the foreclosure crisis, which strung out long after the worse of the financial crisis had concluded. Missed opportunities and intentional policy aimed at privileging financial institutions in their dealings with homeowners facing potential foreclosure ensured that the damage wrought by reversing redlining and subprime lending more generally would become drawn out and fail to prevent millions of foreclosures in the United States. The reasons for this were ideological and political. As a Black presidential candidate, Obama was distinctly aware of the problem of attempting to convince white Americans that he was a competent and safe choice for the presidency, and he attempted to resolve these fears by picking safe, establishment choices for advisory roles and official positions. For his vice-president Obama chose Joe Biden, a powerful Democratic Senator from Delaware who had built a political career around taking a harsher approach to crime and a friendly approach to financial services. This included shepherding the Clinton Crime bill through Congress during the early 1990s and by protecting the financial interests of the credit card industry who abused the *Marquette* decision to charge usurious interest rates nationally from their corporate headquarters in Delaware. Obama also added veterans of the financial industry and otherwise industry-friendly figures to his campaign, to his transition team, and then to his administration, influenced by a desire to portray

125 Hammel, et all. “Race, Class, and Rent in America's Subprime Cities,” 246.
126 Ibid.

a "steady hand" for a financial sector still deeply concerned about the state of affairs post-September 2008. One example of these hires was Austan Goolsbee, an economist who was Senate confirmed to join the Council of Economic Advisers in March, 2009. Goolsbee was a neoliberal, and was part of the nexus of Democratic Party politics and financial services industry that by 2009 had won control of the party, advising Obama in an official capacity during his 2004 U.S. Senate race and then again in 2008 during his presidential run. Goolsbee penned an opinion article for the *New York Times* in 2007, as the volume of foreclosures from the housing bubble were still climbing, titled "'Irresponsible' Mortgages Have Opened Doors to Many of the Excluded" where he defended subprime lending and the "innovations" that had emerged in recent decades, remarking that because of these practices that "...the mortgage market [became] more perfect, not more irresponsible."[127] An indication that individuals who were connected either directly or indirectly to the Financial Crisis were not forbidden from the incoming Obama administration. Goolsbee also acted as Chief of Staff and chief economist to Paul Volcker who was brought back into the federal government to head the President's Economic Recovery Advisory Board under Obama after his notorious run as Chairman of the Federal Reserve during the Reagan administration in the 1980s. The Obama administration also attempted to soothe the concerns of the financial sector by declining to prosecute individuals from the industry for a variety of the worst abuses and fraudulent behavior of the housing bubble.[128]

He also secured the tacit acceptance of the financial industry by protecting them from the progressive wing of the Democratic Party's attempt to see "cram-down" provisions added to recovery efforts in early 2009. Cram-down provisions are an industry term for when bankruptcy judges are able to unilaterally change the terms of a mortgage, adjusting the principal or any other provision of the debt in a manner which would have allowed home owners to retain possession of their homes.[129] Obama had supported cram-down during the presidential campaign that year, and his commitment to cram-down became a major feature of encouraging some progressive Democrats to vote for TARP during the height of the financial crisis in September 2008; however by early 2009 his administration had shrunk away from adding cram-down provisions to major legislation.[130] The Home Affordable Modification Program (HAMP) was initiated in 2009 essentially as a financial industry derived alternative to cram-

127 Austan Goolsbee, "'Irresponsible' Mortgages Have Opened Doors to Many of the Excluded," *New York Times*, March 29, 2007, Accessed July 11, 2022.
128 John Cassidy, "Why didn't Eric Holder go after the bankers?" *The New Yorker*, September 26, 2014, Accessed July 14, 2022, https://www.newyorker.com/news/john-cassidy/didnt-eric-holder-go-bankers
129 David Dayen, "A Needless Default", *The American Prospect*, February 9, 2015, Accessed February 4, 2022, https://prospect.org/economy/needless-default/
130 Ibid.

down; an alternative that rapidly became a bureaucratic and technocratic mess as the administration became absorbed with means-testing the benefits of the program.[131] Lax regulatory oversight from the Treasury and from the Justice Department also allowed middleman service businesses to abuse the program tricking underwater borrowers into foreclosures and unnecessary payments.[132] The program's loan modifications also were not permanent, and in the rough economic climate of the early 2010s this meant that many home owners who had been affected by the program inevitably went into default in any case. HAMP's effect was largely to allow financial institutions to squeeze whatever payments they could get out of borrowers before inevitably having to foreclose on their homes. This process was calculated to ensure that foreclosures would be spread out to prevent another financial system risking cascade.[133]

The Obama administration's largely indifferent attitude to the foreclosure crisis of the early 2010s helped cause calamitous destruction around the United States. 9.3 million home owners went through a foreclosure between 2006 and 2014 and were forced to yield their homes either to lenders or through distress sales. Of that amount the National Association of Realtors estimated in 2015 that only about 2.5 million would be able to re-enter the housing market within the next eight years.[134] The decision not to aggressively intervene to protect home owners drew out the foreclosure crisis even further, and by 2016 the rate of foreclosure was even higher than it had been in 2005.[135] The effect on Blacks was disproportionate. After the financial crisis the percentage of Black home owners with negative equity increased from 0.7% to 14.2%, peaking in 2013.[136] Most Black wealth was concentrated in houses so the foreclosure crisis destroyed the limited wealth that Blacks had accumulated from the housing boom of the 1990s. The decision to bailout financial assets during the financial crisis and disfavour protecting home owners meant that the big rescue packages in effect acted as a transfer of wealth away from Blacks and towards mostly white families who tended to hold more financial capital.[137]

The second major outcome was the political evolution of the political right as a partial response

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131 Ibid.

132 Matt Bruenig and Ryan Cooper. "How Obama Destroyed Black Wealth". *Jacobin*., December 7, 2017., Accessed February 4, 2022, https://jacobinmag.com/2017/12/obama-foreclosure-crisis-wealth-inequality

133 Dayen, "A Needless Default."

134 Laura Kusisto. "Many Who Lost Homes to Foreclosure in Last Decade Won't Return – NAR". *Wall Street Journal*., April 20, 2015., Accessed February 4, 2022, https://www.wsj.com/articles/many-who-lost-homes-to-foreclosure-in-last-decade-wont-return-nar-1429548640

135 "United States Residential Foreclosure Crisis: Ten Years Later". *CoreLogic*., March 2017.

136 Matt Bruenig and Ryan Cooper. "How Obama Destroyed Black Wealth."

137 Ibid.

to reverse redlining, the financial crisis, and to Obama's election as president of the United States. Propelled to victory in 1994 the Republican Party had finally emerged from the political wilderness in Congress to win control of the country's legislative branch. In power for the first time in decades, Republicans looked to impose a political agenda defined by a desire to deregulate the country's economy. Although they clashed with the Clinton administration on the role of the GSEs with regards to the administration's desire to see them oriented towards increasing home ownership amongst minority populations, their disagreement was fundamentally related to the notion that the GSEs would crowd out private financial institutions on Wall Street. Both Congressional Republicans and the Clinton administration agreed that the deregulation of the financial system, and specifically the securities market, was critical to the country's economic growth in the 1990s. The financial crisis in 2008 forced Republicans to pivot politically, acknowledging the deep unpopularity of the country's financial sector as there were almost daily revelations that the country's banks had engaged in illicit behavior. Even as the Bush administration called for Congress to support the Emergency Economic Stabilization Act, which would have given the federal government authority to create TARP, Republicans attempted to use the opportunity to shed responsibility for the crisis. The majority of the GOP House caucus voted against the bank bailout leaving the Bush administration to deal primarily with Democrats to get passage.[138]

As the crisis escalated American conservatives argued that the originator of the crisis was the federal government and that Democrats were responsible for it by utilizing the GSEs and the Community Reinvestment Act as vehicles for a sort of housing version of affirmative action.[139] For the right this argument enabled them to play on the racial anxieties of their political base, largely white suburbanites, which was critical in early 2009 as progressives on the left were attempting to see the implementation of a broad rescue of underwater homeowners in danger of foreclosure. A successful rescue of homeowners by the left endangered the political future of the right who viewed the early Obama administration as a sort of potential return to the political dynamics of the New Deal which had cemented a welfare state in the country. As discussed above the internal political dynamics of the Obama administration encouraged it to commit against a comprehensive rescue of underwater

138 Roll Call, H.R. 3997, https://clerk.house.gov/evs/2008/roll674.xml

139 Hammel, et all. "Race, Class, and Rent in America's Subprime Cities," 247; The Community Reinvestment Act was passed in 1977 and was intended to combat redlining by encouraging financial institutions to lend to targeted communities. It allowed federal regulators to potentially restrict bank mergers upon the basis that they were neglecting redlined communities, and local community organizations attempted with mixed success to utilize this regulatory framework. It was amended in 1995 by the Clinton administration to further encourage mortgage lending to non-white mortgage applicants.

homeowners in early 2009 in favour of courting financial interests. However, the right-wing narrative that "undeserving" minority populations were about to, or were in the process of, being rescued by a Black President of the United States was incredibly influential in re-organizing and re-kindling right-wing political movements after the financial crisis.

The reanimation of a sort of right-wing populism also played out on television during the early months of 2009. Rick Santelli, then a host on CNBC went on a rant on the floor of the Chicago Mercantile Exchange on live television to the cheers of nearby floor traders aimed at the concurrently being debated stimulus package in Congress and the debate over distressed home owners. "...This is America, how many of you people wanna pay for your neighbor's mortgage that has an extra bathroom and can't pay their bills?" said Santelli, "...We're thinking of having a tea party in July, all you capitalists who want to show up to Lake Michigan I'm gonna start organizing."[140] Santelli was a little known host, but his appeal for a new "tea party" was quickly echoed around the right-wing in the United States, evolving into a more substantial, organized political movement with significant financial backing from conservative corporate donors who saw the potential political benefits.[141] In late 2010, Republicans again won a commanding victory over Democrats in that year's midterms, in part because of a reinvigorated conservative base, but also because of the Obama administration's handling of the foreclosure crisis and pivot towards austerity politics after the passage of the stimulus and the Affordable Care Act in 2009 had prolonged the economic damage of the financial crisis.[142]

By the end of the first term of the Obama administration fiscal austerity had created a dragging effect on the revenues of local and state budgets across the United States, driving cuts that further degraded both a national economic recovery as well as negatively impacting local and state communities and ultimately pushing up unemployment.[143] After the Republicans regained control of the House in 2011 the Obama White House attempted to pivot politically by focusing on the national debt and fiscal deficits in light of the renewed strength of the populist right, exemplified that year through an executive order creating what would be known as the Simpson-Bowles Commission. The Commission concluded with a report that if implemented would have resulted in historic and terminal

140 "CNBC's Rick Santelli's Chicago Tea Party." The Heritage Foundation. *Youtube*., accessed February 5, 2022, https://www.youtube.com/watch?v=zp-Jw-5Kx8k&t=54s&ab_channel=TheHeritageFoundation

141 Suzanne Goldenburg, "Tea Party movement: Billionaire Koch brothers who helped it grow" *The Guardian,* October 13, 2010., Accessed February 5, 2022, https://www.theguardian.com/world/2010/oct/13/tea-party-billionaire-koch-brothers

142 David Sirota, "It's Long Past Time for Democrats to Reject Austerity". *Jacobin*, December 17, 2020. Accessed, February 5, 2022, https://www.jacobinmag.com/2020/12/joe-biden-austerity-economy-covid-crisis-stimulus

143 Mike Konczal, "The Austerity of the Obama Years", *Dissent Magazine*, January 19, 2017., accessed March 20, 2022, https://www.dissentmagazine.org/online_articles/austerity-obama-years

cuts to the bedrocks of what was left of the American welfare system: Social Security, Medicare, and Medicaid. In 2011 as Republicans attempted to force a political victory over that year's budget Obama sought compromise through a "Grand Bargain" that if passed would have implemented many of the features of Simpson-Bowles. Republicans balked, ultimately deciding that their desire to undermine the political popularity of a Democratic president exceeded their long-standing desire to see the end of the most durable parts of the New Deal and the Great Society.

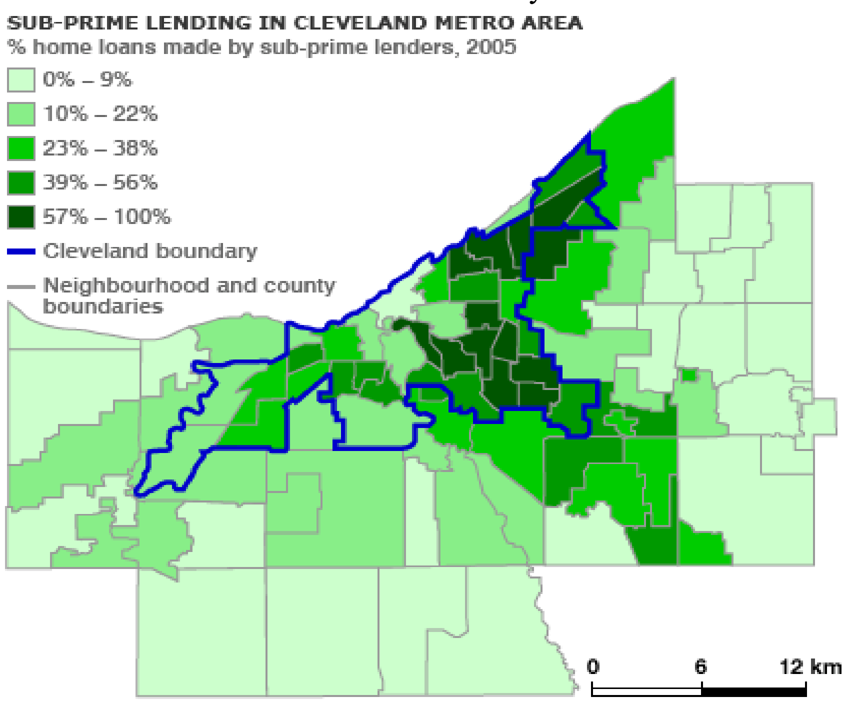


*Figure 2.2: Sub-prime Lending in Cleveland Metro Area (2005).*[144]

Through all these political developments the bursting of the housing bubble specifically hit the Cleveland area hard. Home prices peaked in October 2005 and eventually would fall 28% before finally reaching a bottom in February 2009.[145] The spectacular growth of the housing bubble depended on rampant reverse redlining across Black neighborhoods such as those in the Cleveland East End as their mortgages increasingly made up the bulk of new mortgage-backed securities and CDOs fed into the international financial system in the later part of the 2000s. Once these mortgages in neighborhoods such as Glenville and Hough began to fail failures cascaded through the global financial system from the bottom up. Foreclosures in Cleveland had steadily climbed through the 2000s but they finally reached something approaching a crest by 2007-8, devastating the city. "This is really like New Orleans," said a reporter from Paris Match magazine, comparing the foreclosure crisis in Cleveland to

144 Steve Schifferes, "Foreclosure wave sweeps America," *BBC News*, last updated November 5, 2007, accessed, July 14, 2022, http://news.bbc.co.uk/2/hi/business/7070935.stm
145 "Spotlight on Cleveland," *Department of Housing and Urban Development*.

Hurricane Katrina in 2005 as he toured abandoned, trash-filled houses in Slavic Village. Many in the city felt on their own in the year or so before the Financial Crisis would reach its zenith in September/October of 2008 when there was no immediate sign of potential federal or state relief. Cleveland City Councilman Jay Westbrook was quoted by *The Plain Dealer* as saying, "It would have been better if it was an earthquake or a hurricane... We respond better to natural disasters than men-in-suits disasters."[146]

When the housing bubble initially burst in Cleveland the first places typically affected were the Black neighborhoods of the East Side; but as home prices fell more homeowners who were less vulnerable to the initial shock suddenly came to be underwater spreading foreclosures to white neighborhoods as well as further up the class structure. A column in *The Plain Dealer* remarked on the changing demographics of those facing the loss of their homes, "the crisis does not respect class, race or age," while even the majority leader on City Council in 2010 was unable to avoid becoming ensnared in foreclosure.[147] Sinking home values deflating from the bubble spread foreclosures further across the city and out into the suburbs which also showed significant distress as the crisis matured. A major problem that arose from the spread of the foreclosure crisis into the suburbs was that many non-profits, activism groups, and advocacy organizations were not well established in the suburbs and had difficulty in reaching vulnerable suburban homeowners. "The problem is that the foreclosures are moving to the suburbs. They're going to continue to get worse. And we have to find ways to reach the people that are in trouble in time to help them," said Paul Bellamy, the director of Cuyahoga's foreclosure prevention program to *The Plain Dealer.* In 2009 foreclosure filings in the suburbs began to exceed those in the city of Cleveland itself with 56% of the nearly 10,200 foreclosures filed up to October 2009 coming from the city's suburbs.[148]

This reflected the changing geography of poverty in Cleveland as a result of the housing bubble and the foreclosure crisis in the 2000s and early 2010s. Adjusted for population the amount of foreclosure filings in Bratenahl, a village along Lake Eric east of the downtown area where the average household income was more than $76,000 in 2007, were almost as high as the rest of the city of Cleveland.[149] By 2011 nearly 60% of Cleveland's poor lived in the suburbs compared to 46% in 2000;

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146 Thomas Ott, "Real Estate's Perfect Storm," *The Plain Dealer*, January 20, 2008, Accessed, May 13, 2022.

147 Phillip Morris, "Foreclosure crisis hits across board," *The Plain Dealer*, September 29, 2009, Accessed, May 13, 2022; Mark Gillespie, "Councilwoman's home on E. 36th in foreclosure," *The Plain Dealer*, March 18, 2010, Accessed, May 13, 2022.

148 Sandra Livingston, "New efforts on foreclosure to reach homeowners early," *The Plain Dealer*, October 31, 2009, Accessed, May 13, 2022.

149 "Shaky in the suburbs," *The Plain Dealer*, August 30, 2022, Accessed, May 13, 2022.

this compared to a nationwide figure of 55% in 2011 compared to 49% in metropolitan areas in 2000; a reflection that Cleveland was not unique in this trend. “The suburbs were always a place of opportunity – a better school, a bigger house, a better job. Today, that's not as true as the popular mythology would have us believe,” said University of Chicago associate professor Scott Allard.[150] Social welfare institutions in the city struggled to shift their focus out of the inner city. Calls from the Cleveland suburbs to the United Way alone doubled between 2005 and 2010. “We are seeing a rise in need in places we never expected it,” one of their directors Stephen Wertheim described. The lack of social welfare institutions in the suburbs led to many suburban municipalities being forced to re-designate buildings as food banks for people devastated by the foreclosure crisis and the Great Recession. Warrensville Heights, a well-known middle-class Black suburb was particularly hard hit by the early 2010s. Brad Sellers, a local retired basketball player who would later be elected mayor of the city remarked, “This community is middle class, but right on the line. Any dramatic downturn can send you over the edge.”[151]

This chapter has looked at a series of significant shifts in the American economy beginning in the 1970s and their role in the most significant financial crisis since the Wall Street crash of 1929. As a part of demonstrating this we can see that the significant changes that financialization drove to housing financing with the decline of the savings and loans industry in the late 1980s precipitated a major change in the way that financial institutions interacted with the redlined majority-Black neighborhoods of the Cleveland East Side. This relationship was described in chapter one and had been defined by the exclusion of these Black neighborhoods from access to credit. Chapter two has described how this relationship then shifted towards one based around inclusion and predatory lending that accelerated beginning in the middle of the 1990s. Reverse redlining in these neighborhoods escalated until the predatory subprime lending that dominated this financial relationship nearly destroyed the global financial system in 2007/08 as a result of the proliferation of illicit financial activity by financial institutions. While politics then saved high finance from this crisis, it did not rescue the bulk of homeowners, in particular Blacks and other minorities who were devastated by the foreclosure crisis of the late 2000s/early 2010s. The damage done as a result of reverse redlining and the failure to save homeowners during the foreclosure had measurable consequences for Cleveland moving forward.

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150 Sabrina Tavernise, “Outside Cleveland, Snapshots of Poverty's Surge in the Suburbs,” *New York Times*, October 25, 2011, Accessed, May 13, 2022.

151 Ibid.

## Chapter 3: Cleveland after the Financial Crisis of 2008

We have discussed the origins of the Black neighborhoods of the Cleveland East Side, the origins of redlining, the geographies that it created in Cleveland and Cuyahoga County, and the development of the financialization that defined the American economy from the 1980s onwards. We can now approach a discussion of the historical continuities and dissimilarities between the redlining era, reverse redlining, and developments post-financial crisis in Cleveland. As a part of this more quantitative look at reverse redlining and subprime lending in Cleveland chapter three utilizes the *American Neighborhood Change in the 21st Century* project from the University of Minnesota Faculty of Law. The project is designed as a means of measuring quantitative social, economic and racial demographic changes across the United States between 2000 and 2016. Organized by census tract, its initial data set is timed right before the housing bubble began to be fully expressed in Cleveland and ends when the worst period of the foreclosure crisis began to tail off. It is specifically intended to track displacement and movement of peoples, and attempts to organize these data metrics in a manner that allows readers to visualize where population and economic growth had occurred in the United States during its chronology. This chapter also utilizes the Historical Housing Unit and Urbanization Database, a database of information relating to the quantity of residential units organized by census tract.

This chapter discusses a few topics brought to our attention by these projects. Firstly they allow us to glimpse certain continuities and breaks with previous demographic patterns as a result of the housing bubble and the foreclosure crisis. Certain long standing trends in Cleveland's history continued through the housing bubble, principally that demographic decline and white flight continued to be dominant features in the city, just as they have been since the conclusion of the Second World War. As well the city's Black neighborhoods also saw declining population, also consistent with the city's long term history. These trends interrelated between 2000 and 2016 to create some significant demographic transitions, defined principally by two defining trends: first the continuing depopulation of the Black neighborhoods of the Cleveland East Side driven between the 1990s and early 2010s by reverse redlining; second this process happened concurrently with the impact of the housing bubble in the majority-white suburbs to create the circumstances for demographic transition, similar to the transition many inner suburbs experienced post-war when they became majority Black on the East Side. This chapter also subsequently argues that the local economies of the East Side showed evidence of movement away from the credit intensive era of reverse redlining towards a state of affairs more akin to previous eras of redlining: credit scarcity and disinvestment during the tail end of the foreclosure crisis in the 2010s. This is demonstrated post-financial crisis in the Cleveland East End by the continued loss of residential properties through the adoption of demolition strategies by local authorities with little consideration for new housing starts, and the development of alternative urban development models such as "urban prairies" and urban agriculture.

A strong example of these demographic trends was in the suburb of Euclid, just north-east of Cleveland along Lake Eric. The *American Neighborhood Change* project indicates that all census tracts in the city saw white flight while Blacks, many of whom as we will see were moving from the Cleveland East Side's majority Black neighborhoods, were filling in.[1] As discussed at the conclusion of chapter two there was a significant growth in suburban poverty in Cleveland during the housing bubble and the foreclosure crisis, and in Euclid between 2000 and 2016 all census tracts also demonstrated increasing poverty. For example, census tract 39035152102 in Euclid, boxed in by East 222nd Street to the east and Lakeshore Boulevard to the north and west, lost 2,581 white inhabitants between 2000 and 2016. The tract added 1,804 Black inhabitants, with 1,505 "middle-high income" inhabitants leaving it and adding close to a similar number of "low income," "below poverty," and "extreme poverty" inhabitants in their wake.[2] The proportion of low income residents increased from 20.2% in 2000 to 41.9% in 2016, an indication of an increasing concentration of poverty in the Euclid area.[3]

In Hough during the 1950s and early 1960s the catalyst for the neighborhood's rapid demographic shift from white inner suburb to Black was initiated by the variety of incentives and exclusionary policies that opened up the suburbs to whites and excluded Blacks. These policies encouraged the development of a sometimes very rapid process of population attraction and out-migration that for example transitioned Hough within the span of a decade. Much like Hough, Euclid in the 2000s and 2010s saw a similar demographic transition from majority white neighborhood to a primarily Black neighborhood; a process that was accelerated by local neighborhood disruption encouraged by the bubble and the foreclosure crisis. Euclid as a largely white community was not itself a direct victim of neighborhood-wide reverse redlining; however the housing bubble impacted the suburban city significantly. The devastation of the Cleveland East Side as a direct result of reverse

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1 "American Neighborhood Change;" Steven Litt, "Euclid, a once-thriving suburb, wrestles with change as it faces economic, racial tensions", *The Plain Dealer*, updated September 19, 2019., accessed March 2, https://www.cleveland.com/life-and-culture/erry-2018/12/29e58e29d72883/euclid-a-oncethriving-suburb-w.html
2 Ibid.
3 Ibid.

redlining during the bubble years immiserated Black residents, depriving many of what accumulated generational wealth they possessed. This in turn encouraged many to relocate out to neighborhoods where housing was available through a combination of foreclosures, home sales, and newly made available rental space in inner suburbs such as Euclid.

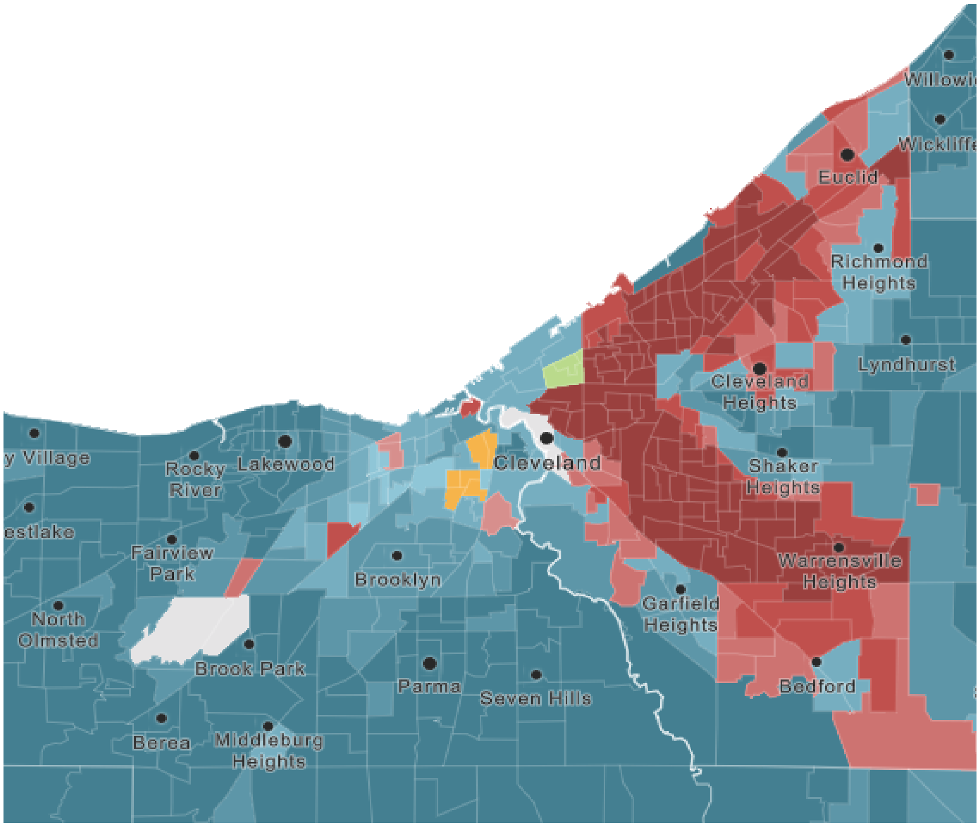


*Figure 3.1: Racial Map of Cleveland compiled from 2016 5-year American Community Survey.*[4]

This process was also accelerated by the knock-on effects of the bubble bursting, which drove down home prices both in the majority Black neighborhoods of the Cleveland East Side as well as neighborhoods more broadly located across Cuyahoga County. Suburban cities such as Euclid saw declining home prices with downward pressure being directed by increasing foreclosures there as well. Evidence for this process in the project comes from the loss of "owner occupied houses" across Euclid, a net total of 521 overall in the before mentioned 39035152102 census tract alone, and a comparable increase in the amount of rented and vacant units in the tract.[5] For reference, these figures from the Project can be cross sectioned with changes in the overall amount of housing units in the census tract. In 39035152102 there were 2,245 units in 2019, indicating that around net 23% of owner occupied

4 Anti-Discrimination Center. Residential Segregation in the United States: still a huge problem [map], 2016. "Segregated, really segregated, or ultra-segregated?" Last updated May 3, 2018. http://www.antibiaslaw.com/node/3764 (accessed July 13, 2022); Black census tracts are coloured in red, white in blue, Asian in green, and Hispanic in yellow.

5 "American Neighborhood Change."

units were lost between 2000 and 2016.[6] With housing prices declining, both for owner occupied units and for renting as a result of the crash of the housing market in the middle to late 2000s, nearly 12,000 Blacks moved into the suburban city of Euclid between 2000 and 2015.[7] By 2010, Blacks made up 52.6% of the population of the city and became a majority of the population.[8]

These demographic transitions in Euclid led to racial tensions. The city's white community through the latter part of the twentieth century had demonstrated some attempted resistance against Blacks moving into the suburban city. To that end Euclid was repeatedly accused of discriminatory hiring practices, including at hearings held by the Ohio Civil Rights Commission in 1972 regarding how 55 of the city's 57 Black employees at the time worked in garbage collection.[9] The school board was also subject to criticism for failing to desegregate the city's education system. The city's resistance survived for decades; but the city's Black population had steadily risen through the decades and resistance became difficult as the housing bubble and foreclosure crisis destabilized its neighborhoods. As had occurred elsewhere historically in Cuyahoga County, once resistance buckled white flight steadily increased. In the inner suburbs of the East Side white opt-outs of the city's school system rose dramatically to 73.7% between 2009-2017, driving a re-segregation of the regional education system.[10] In 2004 voters attempted to overturn a council-approved zoning project for a Black Cleveland church to relocate to Euclid and build 106 homes in the city; but the council managed to overcome the electorate with fears that the city would lose a court challenge.[11]

City council meetings could also become contentious affairs, such as when a Black Lives Matter-related protest disrupted a meeting in 2017. Seeing the protest jolted a white, older member of the city's community who when asked about the disruption remarked that he suddenly felt unsafe inside. “I was trying to figure out 'how am I going to get out of this Council chamber?'” A Black attendee of the meeting, but not a protester himself, felt differently when the police appeared, fearing that he might have ended up beaten for being Black, “that was one of the scariest things I've ever seen

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6 S.N. Markley, S.R. Holloway, T.J. Hafley, M.E. Hauer. M.E. 2022. “Housing unit and urbanization estimates for the continental U.S. In consistent tract boundaries, 1940-2019. Scientific Data 0 (82), https://doi.org/10.1038/s41597-022-01184-x; For the map referenced by this thesis see, https://usg.maps.arcgis.com/apps/instant/minimalist/index.html?appid=d2e0f6f161c547b9b82696e6d36c7207

7 Steven Litt, “Euclid, a once-thriving suburb, wrestles with change as it faces economic, racial tensions.”

8 Rich Exner and Robert L. Smith, “New pattern of migration is changing Cleveland,” *The Plain Dealer*, March 28, 2011, Accessed, May 14, 2022.

9 Leila Atassi, “Euclid may condemn council chief's rental”, *The Plain Dealer*, August 22, 2007, Accessed March 5, 2022.

10 “Mass Exodus: The Alarming Re-Segregation of Cleveland's East Side Inner Ring Public Schools”, Selexperience, June 8, 2020. Accessed March 5, https://selexperienceproject.com/2020/06/08/mass-exodus-the-alarming-re-segregation-of-local-public-schools/

11 Leila Atassi, “Euclid may condemn council chief's rental.”

in my life."[12] Euclid's police department as late as 2014, well into the demographic transition of the city, still largely excluded Blacks with only five police officers out of a force of 92.[13] The city finally saw the election of its first Black office holder in 2008 when Kandace Jones won election to the city council. She won one of the Ward council seats that were created after the city was the subject of a federal suit from the Department of Justice arguing that Euclid operated a political system specifically designed to disenfranchise Black voters. At the time people were hopeful that the city was turning a page on its past. Leonard Law the racially white head of a local homeowners association in Euclid asserted, "I think most of the bigots have fled the city, I honestly do... We really are in a post-racial phase. I don't detect anything, even under the surface."[14] Euclid's police chief at the time echoes similar comments, "we can be the city that makes the melting pot work. We can be the example for everyone else. You don't have to flee; we can make it work."[15] These comments are similar to the desires that Diana Woodbridge expressed in her interview regarding the initial integration of Cleveland Heights during the late 1960s and the desire among some existing residents for non-confrontational racial relations. Cleveland Heights, unlike Euclid, has since become a stable middle-class integrated neighborhood that in the 2020 Census was about 48% white and just under 40% Black.[16] The comments from Law and Euclid's police chief asserting Euclid's racial liberalism or post-racialism conflicts with evidence suggesting a more complicated and contentious race relations in the city. Declining white demographics in the city suggest that many white residents were less thrilled about the city's racial integration. The 2000 Census indicates that at that time Blacks made up around 30% of Euclid's population, by 2020 in large part because of a combination of white flight and Black back filling the suburb that figure had exceeded 60%.[17]

The *American Neighborhood Change* project also demonstrates that the racial and class diversification of the Cleveland East Side's inner suburbs away from being largely white and middle-class communities was broader between 2000 and 2016 than merely Euclid. Even in wealthier suburban neighborhoods such as Richmond Heights and Lyndhurst south of Euclid there is evidence

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12 "Mass Exodus: The Alarming Re-Segregation of Cleveland's East Side Inner Ring Public Schools."

13 Nick Castele, "Two Northeast Ohio Suburbs Face Racial Imbalance Between Police and Residents". *Ideastream Public Media*, August 16, 2014. Accessed, March 6, 2022, https://www.ideastream.org/news/two-northeast-ohio-suburbs-face-racial-imbalance-between-police-and-residents

14 John Knoll, "Euclid's just weeks away from its first black officeholder". *The Plain Dealer*, February 19, 2008., accessed March 8, 2020, https://www.cleveland.com/metro/2008/02/euclids_just_weeks_away_from_i.html

15 Steven Litt, "Euclid, a once-thriving suburb, wrestles with change as it faces economic, racial tensions."

16 U.S. Census Bureau. Race and Hispanic Origin, 2020. Accessed July 7 (1:58 CST 2022), https://www.census.gov/quickfacts/fact/table/clevelandheightscityohio/POP060210

17 U.S. Census Bureau. Race and Hispanic Origin, 2020. Accessed March 2 (14:50 CST 2022), https://www.census.gov/quickfacts/fact/table/euclidcityohio/POP060210

that the devastation of the housing bubble and the foreclosure crisis drove changes in racial and class demographics in these neighborhoods, if to a lesser degree to their neighbors further north and west. An example is census tract 39035180102 in Richmond Heights which lost a net of 826 white residents and gained a net of 779 Black residents between 2000 and 2016, seeing the low income percentage of the tract nearly double from 13.8% to 24.3%. Another local example is census tract 39035185103 in South Euclid (a separate suburb from Euclid on the Cleveland East Side) which lost a net of 944 white residents while adding a net of 595 Black residents.[18] A leading indicator that the foreclosure crisis drove a significant amount of this process was with the decline in owner-occupied housing units in these census tracts and a growing number of both rented and vacant units. Census tract 39035180102 in Richmond Heights only registered a net loss of 15 owner-occupied housing units, while rental and vacant units increased in the tract by 142 and 132 respectively. 39035185103 in South Euclid registered a loss of net 177 owner-occupied units and an increase of rental and vacant units by 56 and 131, respectively.[19]

As discussed above, white communities have often expressed their displeasure with the changing racial composition of their neighborhoods through increasingly abstract racial politics. In the case of South Euclid and Richmond Heights one example of this can be seen in increasing opt-out rates amongst whites in the local public school systems. Similar to Euclid, this rate increased to 71% by 2017, suggesting that an increasing amount of white families were sending their children to private schools and avoiding the Cleveland Public School system.[20] Just as had materialized in neighborhoods such as Hough on the Cleveland East Side when they became majority-Black, the demographic transition of Euclid and other inner-ring suburbs in eastern Cleveland has led to a diminished tax base as white residents left these neighborhoods. This problem affected more than just the local school system, it affected infrastructure, housing and a variety of other facets of life. Quoting an article on these new found challenges for Euclid in the *Plain Dealer*, "Euclid also has classic inner-ring problems: aging streets, utilities, and public facilities. Jobs and tax revenue declined as economic globalization lured some corporations to leave the region. Other employers took advantage of sprawl-friendly government policies to move to newer communities. The city's commercial, industrial and residential

18 "American Neighborhood Change."
19 Ibid.
20 Hannah Lebovits, "Alarming White Opt-Out Rates Have left Eastside Suburban Schools Segregated at Levels Not Seen Since the 1960s", Scene. July 15, 2020, Accessed March 2, 2022, https://www.clevescene.com/cleveland/alarming-white-opt-out-rates-have-left-eastside-suburban-schools-segregated-at-levels-not-seen-since-the-1960s/Content?oid=33483257

tax base fell 27 percent between 2005 and 2015..."[21]

Many of the Blacks who were moving out into suburbs like Euclid, Richmond Heights, and Lyndhurst came from the Black neighborhoods of the Cleveland East Side. Reverse redlining devastated the Cleveland East Side during the housing bubble and the foreclosure crisis, and the most obvious residue of its effect is in the general, and sometimes stark, depopulation of the region. One particular example is census tract 39035116900 in Collingwood, which lost just over half its overall population between 2000 and 2016. The devastation of this particular tract was so extensive that it lost 180 net owner occupied units and 254 net rental units, with a net gain of 152 vacant units in the tract, a clear indication of the degree of damage to the local community.[22] Michael Polensek, the Cleveland city council representative for the far northeast of the city noted, "People are still talking with their feet, especially now middle-class African American families are blowing out of the city... They're leaving for all the same reasons that Italians and Jews and everybody else left. If you have a job, with mortgage rates less than three percent, you got options today you've never had before."[23] After the bubble burst in 2007-08 interest rates in the United States dropped to 0.25% and remained there for nearly a decade before a gradual increase started during the Trump administration beginning in 2016. Similar data that demonstrates significant depopulation is replicated across the Cleveland East Side, such as census tract 39035116500 in Glenville, which similarly lost just over half of its population and shed over net 200 of both owner-occupied housing units and rented units, leaving an abandoned landscape of vacant housing in their wake.[24] Another example is census tract 39035119800 in Mount Pleasant, which lost over 40% of its population and similar to other examples on the East Side shows a significant net loss of owner-occupied units: 361 lost in total, with an additional loss of a net 213 rental units; compared with a net increase of 350 vacant units in the tract.[25] Many census tracts across the Black majority neighborhoods of the Cleveland East Side might not have shared such dramatic depopulation but they similarly trended in the same direction as a result of reverse redlining in the region during the 1990s and 2000s.

One way of thinking about financialization and its influence on the housing bubble in Cleveland is that it was not an economic process oriented around the new capital creation, but instead that it was oriented around the value extraction from existing assets. During the 1990s this manifested in the growth of subprime refinancing loans during the "first wave" of the housing bubble in Cleveland. An

21 Steven Litt, "Euclid, a once-thriving suburb, wrestles with change as it faces economic, racial tensions."
22 "American Neighborhood Change".
23 Jake Blumgart, "A Black Cleveland Neighborhood Struggles for Survival," *Governing.* November 5, 2021, Accessed April 15, 2022, https://www.governing.com/community/a-black-cleveland-neighborhood-struggles-for-survival
24 "American Neighborhood Change".
25 Ibid.

effort by predatory mortgage lenders to seek profit off of the home equity of vulnerable, often elderly, homeowners. Earlier, it also shared similarities with the experience of Black Clevelanders during the FHA scandals of the late 1960s and early 1970s where predatory middlemen sought to build a market for the buying and selling of dilapidated housing stocks. The end result in the case of the Cleveland East Side once the bubble burst and foreclosures became a dominant trend in the area's housing market in the mid-late 2000s was a steady increase in abandonment and extended vacancies of foreclosed housing stock and subsequently the associated depopulation of these neighborhoods. Financial institutions that normally would have off-loaded the foreclosed properties as soon as possible to recover some of their value often held on these vacant properties. Renters were evicted as their landlords lost their properties to foreclosure.[26] The housing markets of the Cleveland East Side were unable to properly recover from the height of foreclosures in the late 2000s and early 2010s and prices remained depressed, correlating with collapsing housing demand associated with the region's depopulation.

During the foreclosure crisis local residents took to calling abandoned vacant homes "abandos."[27] The financial institutions who received ownership of these foreclosed properties attempted in the late 2000s and early 2010s to create a market for them by selling them as basement bargains to speculators who intended to buy to flip them for a quick profit. "In December, we had to go on Skype and Skype a Coptic bishop in Cairo, Egypt, who had purchased property in Cleveland, Ohio," said Judge Raymond Pianka of the Cleveland Housing Court in an interview with PBS in 2011, "We get calls regularly from Israel, from the United Kingdom of people who have purchased properties in the after-market."[28] This may have allowed aggressive house flippers to make money off the homes, but it was also a significant contribution in damaging the neighborhoods that the homes physically sat in. Without residents or owners who were incentivized to take care of the properties many of them decayed and rotted, pulling down not only their value but also the value of the residential blocks and neighborhoods they were located in. Even residents who were interested in attempting to revitalize older housing or build new housing to replace dilapidated units found financial assistance difficult to secure. In 2017, Cigornai Sapp, a prospective home builder in the North Collingwood neighborhood and former member of the U.S. Air Force Reserve was unable to secure a home equity loan to finance the construction of a new house after she had already had the dilapidated unit demolished, "While I was

26 Exner and Smith, "New pattern of migration is changing Cleveland."
27 "Raze the Roof", PBS News Hour, aired July 5, 2011, accessed March 10, 2022, https://www.pbs.org/newshour/show/raze-the-roof-cleveland-levels-vacant-homes-to-revive-neighborhoods
28 Ibid.

deployed, I got everything in place to get a home equity loan, but the bank pulled out of the deal at the last minute..." Initially the lender had marked Sapp down as a white man, "But once they had a rep come out and found out I was a Black female, quietly they backed out of the deal."[29] Sapp had been a longtime Cleveland resident and after being rejected she became homeless after leaving the U.S. Military living in an RV full time and trying to save money so she could afford to build a new house.[30]

Thus what we can see with the American Neighborhood Change project's data and stories such as Cigornai Sapp's is that the Cleveland East Side was returning from the pattern of reverse redlining between the late 1980s through into the 2000s to a more historically familiar pattern of urban disinvestment by financial capital, correlating with the broader national austerity after the Financial Crisis of 2008. The experience of residents in neighborhoods such as Hough, Collingwood, etc. corresponds much more strongly in the tail end of the foreclosure crisis with the pre-financialization era of redlining and credit scarcity, as opposed to reverse redlining, which was defined by the predatory targeting of these communities for subprime lending. The post-crisis experience was based around exclusion from credit markets by urban geography, targeting historically poor neighborhoods regardless of the racial background of applicants. Quoting Cleveland City Councilman Michael Polensek, "I believe it's redlining by community, by ZIP code. Does racial consideration factor in some cases? Without a doubt." Polensek argued that the disinvestment present in his Collingwood ward was multiracial and not merely specific to Blacks, and that the local economies by 2019 were still unable to recover since the crisis, adding that "not a single house has been built in [Collingwood]" since the collapse in housing markets in 2007 and 2008."[31] Polensek's belief after the bursting of the bubble that the local social geography continued to play a role in the new found credit scarcity in housing is borne out. For instance, there is evidence in news media of systematic exclusion of the East Side in service industries through "digital redlining," such as in a case where the telecommunications company AT&T was accused by attorneys of the practice of denying internet-related services to communities based on their race and class.[32]

As foreclosures mounted in the late 2000s and continued into the 2010s home values

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29 Blumgart, "A Black Cleveland Neighborhood Struggles for Survival."

30 Ibid.

31 Karyn Miller-Medzon and Robin Young, "Zombie Homes Haunt Cleveland Neighborhood A Decade After Housing Market Collapse". WBUR, October 16, 2019, accessed March 14, 2022, https://www.wbur.org/hereandnow/2019/10/16/housing-market-collapse-zombie-homes-cleveland

32 Eric Sandy, "Attorneys May Sue AT&T Over 'Digital Redlining' in Cleveland, Other Major Cities: Update", *Scene*. April 26, 2017, accessed, March 14, 2022, https://www.clevescene.com/cleveland/attorneys-may-sue-atandt-over-digital-redlining-in-cleveland-other-major-cities/Content?oid=6940417

plummeted in affected areas. By 2016 the median price of a home sale on the Cleveland East Side only rose to $18,000 compared to a median price of a sale of $80,000 during the peak in 2005, a mere 23% of its peak value; this compared to a median price of a home sale of $60,945 in 2016 in the inner suburbs of eastern Cleveland, dropping off from a peak value of $115,000 in 2005, recovering 53% of their original value.[33] In 2017 the median home price in the Mount Pleasant neighborhood in the Cleveland East Side was only $14,000, a mere 17% of its peak during the bubble.[34] Cleveland increasingly became plagued by "zombie homes," properties abandoned by residents because they had fallen too far behind on taxes or could no longer make mortgage payments, yet their names still remained on the title of those homes.[35] By mid-2011 there were nearly 13,000 vacant housing units in Cleveland.[36] Zombie homes and the consequences of absentee house flipping lowered local property values and reduced the attractiveness of the neighborhood to investment as capital was scared off by boarded up, crumbling, and overgrown buildings.[37] By 2019, Cleveland city councilor Michael Polensek noted that the city was spending about two million each year just cutting the grass of the city's growing collection of abandoned properties.[38] Depressed home values and aging housing stock also produced a problem in the post-bubble years where the maintenance and improvements necessary to rehabilitate existing housing stock was not financially viable. In neighborhoods such as Hough or Collingwood in the Cleveland East End the cost of housing rehabilitation exceeded the post-rehabilitation price of the house, further discouraging efforts at attracting private capital into Black neighborhoods during the early-mid 2010s, further placing downward pressure on housing prices in these areas.[39] During the 2010s a vicious loop oriented around depopulation in the East End, foreclosures and the deterioration of the built environment worked to continue this process of depopulation in the Black neighborhoods of the East Side.

The available evidence in the *American Neighborhood Change* project for the considerable rise in vacant housing should also be placed in context with the increasing use of demolition as a sort of

33 Frank Ford, "Myths and Misconceptions About Demolition in Cleveland", *Shelterforce*, November 28, 2017, accessed March 15, 2022, https://shelterforce.org/2017/11/28/myths-and-misconceptions-about-demolition-in-cleveland/

34 Jake Blumgart, "Can Generational Change in Cleveland Make a Difference?" *Governing*. October 28, 2021., Accessed March 8, 2022, https://www.governing.com/now/can-generational-change-in-cleveland-make-a-difference

35 Miller-Medzon and Young, "Zombie Homes Haunt Cleveland Neighborhood A Decade After Housing Market Collapse."

36 "Raze the Roof," PBS News Hour.

37 Miller-Medzon and Young, "Zombie Homes Haunt Cleveland Neighborhood A Decade After Housing Market Collapse."

38 Ibid.

39 Alan Mallach, "Laying the Groundwork for Change: Demolition, urban strategy, and policy reform." (Brookings Metropolitan Policy Program, September 2012.), 9.

"crisis management" on the Cleveland East Side, both historically and more recently in the tail end of the foreclosure crisis. Generally demolition has been understood as a mere component of a broader programme of urban revitalization. The demolition of older buildings is treated as a necessary part of building new housing or commercial units, required for the continued health of an urban area.[40] Urban revitalization through demolition of old dilapidated properties and construction of new residential and commercial units is capital intensive however, and in a redlined or disinvested neighborhood the capital necessary to re-construct the built environment is denied. Thus the Black neighborhoods of the East Side became defined by their aging and deteriorating housing stock. Demolition of this housing stock was, and continues to be, controversial in the Cleveland East Side in part because there is a collective memory of how demolition of old dilapidated buildings during the 1950s and 1960s, expressed through urban renewal, became weaponized as a means of targeting Black communities. While public policy may have been dominated by large demolition programmes from the Second World War up until the stagflationary crisis of the 1970s, austerity imposed upon municipal budgets by stagflation and economic crisis forced local governments to scale down to a more *ad hoc* "house-by-house" demolition policy from the 1970s onwards.[41] Reverse redlining briefly re-vitalized housing markets in Cleveland's East Side; but a housing market built around predatory lending for the purposes of finding new sources of mortgage-backed securities was only capable of lasting until the speculative mania of the housing bubble ended.

Post-crisis local authorities increasingly looked to demolition as a solution for the problem of "abandos" and zombie homes. Of the 13,000 vacant homes in the city in 2011 the Cuyahoga Land Bank, a partially public non-profit corporation established in 2009 to acquire and handle distressed properties in Cuyahoga County, expected to have to demolish 700 homes, with the City of Cleveland expecting to demolish another 1,000.[42] By 2013, there were approximately 16,000 vacant houses in Cleveland, with $56 million invested by various levels of government in demolishing just over 6,000 buildings.[43] As the local foreclosure crisis continued locals increasingly used language that described the situation surrounding abandoned housing as a sort of cancerous disease that threatened to spread

40 Ibid., 7.

41 Jason Hackworth, "Demolition as urban policy in the American Rust Belt" (Environmental and Planning A: Economy and Space 48, no. 11 (November 2016), 2204.

42 "Raze the Roof", PBS News Hour.

43 Richey Piiparinen, "Summary Findings for the Study "Estimating the Effect of Demolishing Distressed Structures in Cleveland, OH, 2009-2013: Impacts on Real Estate Equity and Mortgage-Foreclosure", Thriving Communities Institute, Western Reserve Land Conservancy, https://www.877gethope.org/generated/uploads/frankel/Repurposing%20Strategies/Strategies%20-%20Catalytic%20Redevelopment/Comprehensive%20Redevelopment%20Strategies/Cleveland,%20Demolition%20Effects%20by%20Neighborhood%20Type.pdf

through local neighborhoods. Quoting Frank Ford, a policy adviser for the non-profit Thriving Communities Institute of Cleveland, "for the larger body – the neighborhood – to survive, you have to remove those cancer cells."[44] As dropping house values threatened to drag down more residential properties into potential foreclosure housing demolition took on a sort of triage-like character: a necessary sacrifice to protect a greater whole. In this case preserving the house values on a residential block at the expense of abandoned homes, like cutting off someone's limb to save their life. "Naturally, we don't want to be just demolishing stuff forever, but before you can stabilize something, you have to stop the hemorrhaging. And so we have to bury the dead", said Gus Frangos, an employee at the Cuyahoga Land Bank.[45]

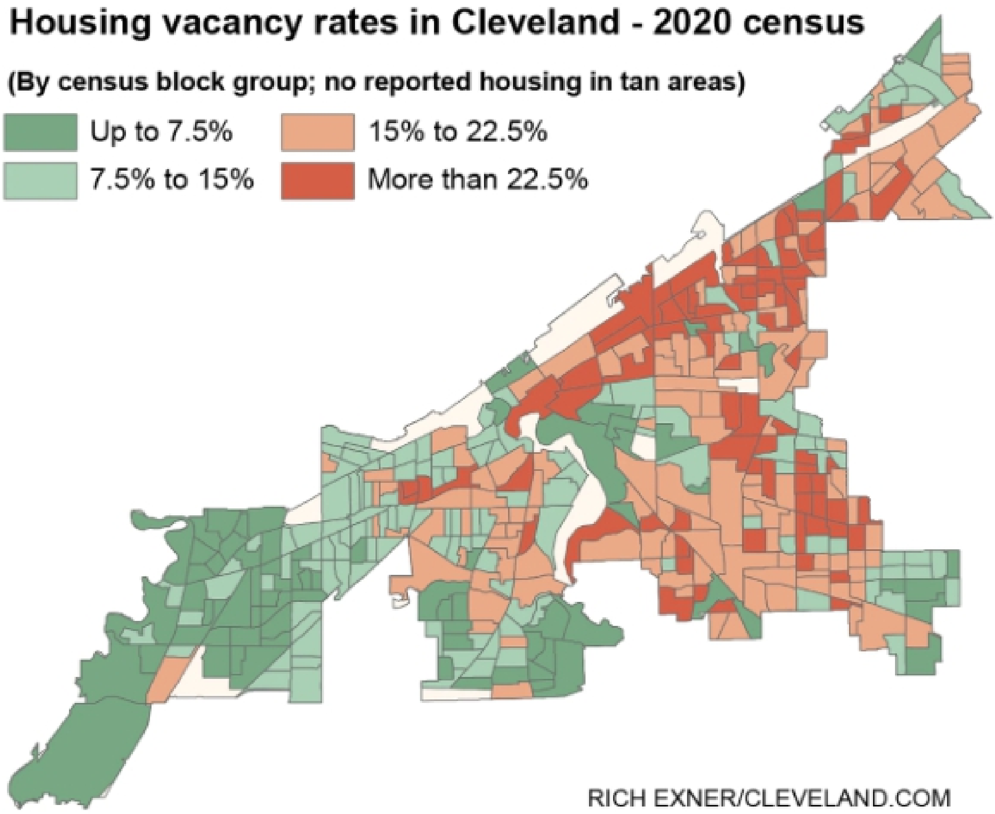


*Figure 3.2: Housing vacancy rates in Cleveland – 2020 census.*[46]

The actual effectiveness of utilizing demolition as a sort of "crisis management" is complicated. Demolition programmes, particularly of housing stock in aging, redlined neighborhoods has been

44 "Why this city 'removes cancer cells' of foreclosed and abandoned homes," *CNN Wire*, November 13, 2014, accessed March 14, 2022, https://www.wtvr.com/2014/11/13/why-this-city-removes-cancer-cells-of-foreclosed-and-abandoned-homes

45 "Raze the Roof," PBS News Hour.

46 Eric Heisig, "Census numbers show increase of occupied homes in Cleveland, even as population decreases," *cleveland.com*, Updated September 22, 2021, Accessed, July 13, 2022, https://www.cleveland.com/realestate-news/2021/08/census-numbers-show-increase-of-occupied-homes-in-cleveland-even-as-population-declines.html

rationalized as helpful as a means of reducing "blight" and its negative externalities, such as physical and psychological effects.[47] Within this argument vacant and abandoned housing attracts a series of perceived negative aspects: vermin, rats and other pest animals; drug activity; crime, etc. that can be checked through demolition of the affected properties. A study authored for the Western Reverse Land Conservancy argued that while demolition during the foreclosure crisis was able to buoy home equity in "high", "moderate" and "weak" markets, it was not able to do so in "extremely weak" markets, those corresponding to many of the Black neighborhoods of the Cleveland East Side.[48] The reason stated for this is that these neighborhoods had essentially hit a floor on home prices, and that average home prices were pressed to that floor through reductions in demand as a result of depopulation. In a summary of the study on the effectiveness of the demolition policy in Cleveland, Research Fellow at Cleveland State University Richey Piiparinen continued to state that, "while demolition does not provide an immediate fiscal pay-off in the lower markets, it likely will in the long run given that it is the oversupply that has dragged down the market. Economics 101 shows as supply increases the price point declines."[49]

Historically, redlining-enforced credit scarcity denied the Cleveland East Side the ability to overcome these long-term challenges of raising demand, except briefly and ultimately tragically during the reverse redlining era of the 1990s and 2000s. Demolition of dilapidated and aging housing stocks in these communities may have helped to "bury the dead" or "excise the cancer" of cratering house prices during the foreclosure crisis, but the experience for decades in the East Side has been the demolition of housing stock often never to be replaced. Studies such as the Western Reverse Land Conservancy's "Estimating the Effect of Demolishing Distressed Structures in Cleveland, Ohio" or Alan Mallach's "Laying the Groundwork for Change" for the Brookings Metropolitan Policy Program orient themselves around speculating and positing potential market-based solutions to the disastrous outcomes of the housing bubble and the foreclosure crisis. They focused more narrowly on supply and demand economic strategies because in a neoliberal hegemonic economic and political climate these strategies are viewed as realistic, conceivable strategies to achieve positive outcomes for affected communities.

However as described previously, there have been multiple episodes in American history where

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47 Hackworth, "Demolition as urban policy in the American Rust Belt," 2203.

48 Luc Anselin, Paul Boehnlein, Benjamin Calnin, Nigel G. Griswold, and Michael Schramm, "Estimating the Effect of Demolishing Distressed Structures in Cleveland, OH, 2009-2013: Impacts on Real Estate Equity and Mortgage-Foreclosure," Western Reserve Land Conservancy, vi-vii.

49 Richey Piiparinen, "Summary Findings for the Study," 9.

policy makers and politicians have set their sights on the rehabilitation of impoverished Black neighborhoods in Cleveland believing that private capital was undoubtedly the only vehicle capable of accomplishing such a task, specifically to the exclusion of government-managed social housing after the 1940s. If the federal government was going to be involved, it needed to be limited and focused largely around creating incentive structures that would encourage the economic activities of private capital; these were the overarching political and economic assumptions of the Johnson administration in the 1960s and then the Clinton and Bush administrations during the 1990s and 2000s. In Cleveland a prime example of this process post-bubble was the formation of the Cuyahoga County Land Bank, designed out of a political compromise with rural conservative politicians to operate as a sort of public sector business that would attempt to put vacant houses and vacant lots back on the market, financing this process through collection of penalties and delinquent property taxes.[50] Without significant incentives, which in both the 1960-70s and during the housing bubble essentially involved looking away from immoral and almost certain illegal behavior by mortgage issuers, the long term tendency was towards credit scarcity and austerity. In impoverished and racially segregated neighborhoods where financial institutions imposed credit scarcity and redlining the long term outcomes of market based approaches saw demolition of the "excess" supply of housing as depopulation continually created new stocks of "abandos" during economic downturns. Scholars and thinkers such as Mallach, Ford, and others who have approached this problem from a market perspective are not incorrect in believing that demolition of aging housing stock was capable of being a part of a holistic strategy aimed at residential rehabilitation of the Black neighborhoods of the Cleveland East Side. It is that redlining and segregation had the effect of denying Black neighborhoods access to capital that they could have used to reverse cycles of depopulation and residential deconstruction that has permanently affected their economic and social viability.

In addition, by placing such a high premium on the potential of demolition as a strategy, even going so far as to issue municipal bonds and spend public funds specifically intended to fund demolition efforts, local elites in Cleveland and Cuyahoga County have essentially bet on the success of demolition as a strategy, despite their inability to address issues such as suburbanization and financialization that are largely the scope of the federal and state governments.[51] Cuyahoga County

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50 Emily Rosenman and Samuel Walker, "The practice of demolishing abandoned houses in Cleveland, Ohio is limited in its capacity to address underlying cauces of housing injustice". *LSE Phelan US Centre*, February 3, 2016, accessed March 15, 2022, https://blogs.lse.ac.uk/usappblog/2016/02/03/the-practice-of-demolishing-abandoned-houses-in-cleveland-ohio-is-limited-in-its-capacity-to-address-underlying-causes-of-housing-injustice/

51 Ibid.

issued a $50 million bond to demolish 5,000 homes in late 2014, and millions of dollars from various levels of government have been spent on funding demolition programs across the county.[52] Demolition utilized as a short-term strategy to attempt to protect local neighborhoods from the "contagion" and "blight" of abandoned houses can work in wealthier neighborhoods and the evidence produced is clear that this is the case. But taken in isolation and placed into the local context of official and unofficial forms of redlining it is clear that demolition, both through large-scale demolition programmes such as urban renewal or as *ad hoc* policy, became a significant part of the reason for the steady dismantling of the Cleveland East Side's built environment.

One of the primary outcomes of this process of depopulation and reduction in housing stock was a steady increase over the decades of the amount of vacant lots in the Cleveland East End, with the results of reverse redlining producing another significant increase of them during the late 2000s and early 2010s. Vacant lots tended to be much less expensive to manage for local governments compared to dilapidated and mothballed properties, encouraging cash-strapped local communities to demolish abandoned properties as a means of cutting local costs during the Great Recession.[53] According to Piiparinen in his summary of the Western Reverse Land Conservancy study, the average individual in a "extremely weak" market in Cleveland lived within 500 feet of nearly 18 vacant lots, compared to just under 10 in "weak" markets and over 2 in a "high" markets, the strongest performing areas.[54]

When taking a look at the overall loss in housing units in the Black neighborhoods of the Cleveland East Side since 1950 significant losses are apparent. Using the example of the census tracts cited above in the discussion of loss of owner-occupied housing and the growth of rented and vacant units we can see that census tract 39035116900 in Collingwood in 1950 possessed 2,065 housing units compared to a reduction to 957 by 2019. Similarly in census tract 39035116500 in Glenville in 1950 there were 2,720 housing units compared to 1,503 by 2019. When viewing these reductions in housing stock more narrowly into the confines of the chronology of reverse redlining in Cleveland we can see that in 39035116500 (Glenville) there were 1,879 housing units in 1990, and that in 39035116900 (Collingwood) there were 1,380, an indication that the largest reductions in housing stock in these tracts was in fact before the housing bubble and the foreclosure crisis with a significant portion of those losses of stock coming in the 1970s and 1980s.[55] Similarly using two examples from Hough, census

52 Mary Kilpatrick, "Abandoned homes dot area." *The Plain Dealer*, August 16, 2015, Accessed April, 20, 2022; Mark Gillespie, "Millions go to raze vacant properties," *The Plain Dealer*, August 2, 2012, Accessed, May 14, 2022.
53 Mallach, "Laying the Groundwork for Change: Demolition, urban strategy, and policy reform," 8.
54 Ibid., 9.
55 Markley, et al. "Housing unit and urbanization estimates."

tracts 39035112400 and 39035112301, we can see that they had 3,013 and 3,505 housing units in 1950, respectively, compared to 837 and 1,017 in 1990 and 625 and 634 in 2019.[56] This is an indication that the long-term trend of housing stock loss was not fundamentally altered by reverse redlining of the Cleveland East Side during the 1990s and 2000s when compared to "normal" periods of redlining and disinvestment. In all of Cleveland in 2000 there were 25,218 vacant lots rising by 2010 to 40,046, an increase of 58.8%. The experience of Cleveland mirrored other Rust Belt cities such as Detroit where in 2000 there were 38,668 vacant units compared to 79,725 vacant units in 2010, a 106.2% increase over ten years.[57] Vacant lots often were bought up by neighbors who were interested in expanding their yards, and in many cases the vacant "unimproved" lots became places where garbage would often accumulate.[58] One article in *The Plain Dealer* even remarked that cities were allowing some residents to buy adjacent vacant lots to expand the size of their yards.[59]

An increasing practice that began in the 1990s but accelerated during the Great Recession was the development of "urban prairies" where vacant lots were used for urban agricultural purposes. "We were able to clear the houses out and then create our community gardens", says Anthony Brancatelli, "Folks come from different blocks, from different areas. They come here, they build their gardens. They are able to grow their produce. And folks can see pride in their community gardens."[60] "Show us your community garden" read a piece in *The Plain Dealer* from 2011, advertising for residents to send pictures of their local urban gardens to Cleveland's biggest newspaper.[61] By far the most famous bit of urban agriculture in the Cleveland area was "Chateau Hough," a vineyard setup on the corner of East 66th Street and Hough Avenue in the Hough neighborhood by Mansfield Frazier, a charismatic local who built it on the site of a demolished 30-unit apartment building.[62] Frazier's vineyard was a part of an increasing trend that was encouraged by the city of Cleveland as well as other levels of government through financial assistance, a process that by 2019 had made Cleveland by some estimates the second largest urban farming city in the United States.[63] "It's putting that land to some

56 Ibid.
57 Alan Mallach, "Laying the Groundwork for Change: Demolition, urban strategy, and policy reform," 5.
58 Sia Nyorkor, "Cleveland residents complain about trash piling up at vacant property in Slavic Village," *WOIO.* April 19, 2021., accessed March 20, https://www.cleveland19.com/2021/04/19/cleveland-residents-complain-about-trash-piling-up-vacant-property-slavic-village/
59 "Silver linings," *The Plain Dealer*, August 31, 2008, Accessed, May 14, 2022.
60 "Raze the Roof," PBS News Hour.
61 Julie E. Washington, "Community garden is a growing legacy". *The Plain Dealer*, August 4, 2011., accessed March 20, 2022.
62 Lew Christie, "Cleveland's plan to destroy nearly 6,000 homes" *CNN Money*, November 13, 2014, accessed March 15, 2022, https://money.cnn.com/2014/11/13/real_estate/cleveland-destroying-homes/index.html
63 Patrick Cooley, "How urban agriculture swept through Greater Cleveland", *The Plain Dealer*, January 11, 2019, accessed March 16, 2022, https://www.cleveland.com/metro/2017/07/urban_farms_proliferate_in_cle.html

use, particular in cities that are shrinking. And I think it can build community pride and social capital" said Kareem Usher, an assistant professor of city and regional planning at Ohio State University. The practice, its local advocates argued, was also a way of reversing the Cleveland East Side's status as a food desert. "There's a grass-roots fresh-food and urban-farming movement in Cleveland, especially in the near East Side food deserts. People are excited about this new awareness of healthy eating" said Mike Piepsny, the director of Environmental Health Watch.[64] The proliferation of urban agriculture in Cleveland's benefits, particularly on the East Side, were still unclear.[65] However, the effort represented in the shadow of the foreclosure crisis, reverse redlining, and the Great Recession an attempt by the local community to grapple with and adapt to the long-term problems of depopulation and the dismantling of the built environment on the East Side. Urban agriculture's advocates believed that it could help their devastated local communities in more ways than merely raising home values, and in the twilight of foreclosures, home demolition, and neighborhood destruction that characterized the outcomes in the Cleveland East Side in the late 2000s and 2010s from reverse redlining, many residents were eager to see something positive emerge.

*Figure 3.3: "Chateau Hough" in the Hough Neighborhood of Cleveland (2012).*[66]

By 2020-21, Cleveland amongst the rest of the United States experienced the beginnings of renewed momentum in the growth of housing prices within the context of the COVID-19 pandemic.

64 Debbi Snook, "Conference aims to feed idea of urban farming," *The Plain Dealer.* April 3, 2014., accessed March 20, 2022.

65 Ibid.

66 Karen Schaefer, "The Grapes of Graft," *In the Fray*, October 16, 2012, https://inthefray.org/2012/10/the-grapes-of-graft/olympus-digital-camera-2/, (accessed July 13, 2022).

Frank Ford of the Western Reverse Land Conservancy has argued that this growth in home prices was uneven and largely has left out the majority-Black neighborhoods of the Cleveland East Side. While prices on the mostly non-Black West Side of the city had achieved a median home sale price that nearly matched its previous mid-bubble peak in 2005, home sale prices remained deflated on the East Side, only reaching 44% of its peak, also in 2005. A local realtor, Henry Stoudermire Jr. of McMullan Realty pointed to a familiar problem. Banks and other lending institutions were neglecting to lend to Black residents of impoverished neighborhoods, driving continued deterioration of these neighborhoods. Stoudermire also voiced concern about what home sales were in fact taking place on the East Side, often to out-of-town investors.[67] Cleveland may have been experiencing greater volume of home sales, but many of these new purchases were by limited liability corporations. A study by Cleveland Neighborhood Progress that compiled data on real estate transfers of less than $50,000 between the beginning of May and mid-July of 2020 indicated that over 60% of all sales were to LLCs. "There is a huge concern of these out-of-state buyers right now," said Tony Brancatelli, a City Councilor representing an area of the city that includes Slavic Village. His concerns over the situation at the beginning of the pandemic echoed some familiar themes from the housing bubble, particularly regarding a rise in predatory financial activities, "the numbers have skyrocketed beyond reason. Out-of-state owners buying scattered-site homes at what appears to be above market-rate acquisitions given the conditions of the homes scares me."[68]

In chapter three, using the *American Neighborhood Change in the 21st Century* project and the Historical Housing Unit and Urbanization Database we can observe that Cleveland experienced significant demographic changes as a result of the reversing redlining of the city's East Side and the effect of housing bubble more broadly across Cuyahoga County. Data indicates two major trends between 2000 and 2016 on the city's east side: firstly that the foreclosure crisis significantly damaged the neighborhoods of the Cleveland suburbs; secondly that reverse redlining devastated the Black neighborhoods of the East Side, driving the depopulation of these areas. These two trends combined to result in a significant demographic transition in the city's suburbs; a combination of white flight and Black back filling coming from the devastated East Side. In the case of Euclid this led to the suburban city becoming a majority-Black community with significant consequences for racial harmony in the

67 Eric Heisig, "Black Cleveland neighborhoods hardest hit by housing crisis left behind during 2020 home sales boom, research says," *cleveland.com*, February 23, 2021, Accessed, April 30, 2022, https://www.cleveland.com/realestate-news/2021/02/black-cleveland-neighborhoods-hardest-hit-by-housing-crisis-left-behind-during-2020-home-sales-boom-research-says.html

68 Ken Prendergast, "A new housing crisis in hitting Cleveland, anonymously," *NEOtrans*, August 14, 2020, Accessed April 30, 2022, https://neo-trans.blogspot.com/2020/08/a-new-housing-crisis-is-hitting.html

city. There was also clear evidence of racial and class diversification in other suburban cities, such as South Euclid, Richmond Heights, and Lyndhurst, which were traditionally much wealthier and much whiter cities prior to the housing bubble and the foreclosure crisis. In addition to these demographic trends this chapter also discussed the emergence of demolition being used as a sort of emergency triage in Cuyahoga County and placed it within the broader context of depopulation and steady loss of housing units across the East Side. Finally this chapter discussed some of the reaction of Clevelanders to these developments, principally the attempt among some to redevelop some of the widespread vacant lots across the city through urban agriculture as a means of alternative urban and economic development.

## Conclusions

This thesis has made two primary arguments. Firstly as a part of chapters one and two it discussed the origins of reverse redlining, the historical intersection of two significant forces of American history, redlining and financialization. In order to make this argument this thesis has focused on the Cleveland East Side's Black neighborhoods as a means of demonstrating how this historical process worked. In chapter one this thesis discussed the origins of the Black community of Cleveland and the origins of redlining in the United States, arguing that the federal government entrenched a system of proto-redlining that had been practiced by local white real estate dealers and home owners in the city of Cleveland prior to the New Deal. After the Wall Street crash of 1929 the federal government began significant interventions in the American housing market, creating the formalized system of exclusion aimed at discouraging mortgage lending to Blacks according to what was considered good practices previously established by private mortgage lenders and realtors. As the geography of the Black urban experience had become constrained by segregationist and exclusionary practices redlining served to encapsulate it. After the Second World War the opening of the suburbs to urban whites set off a series of events that led in Cleveland to the city's economic decline, deindustrialization, white flight and the expansion of the geography of the Black community which led to its expansion east into neighborhoods such as Hough, Glenville, and Warrensville Heights. The pressures of urban renewal, police terror, and redlining encouraged escalating urban unrest and led to the Hough Riots in 1966 and national attention being drawn to the issue of redlining in Black neighborhoods. The result in 1968 was the Fair Housing Act which, while successful in ending official forms of redlining in the United States, failed to resolve the underlying problems of disinvestment and racialized class stratification that the practice had helped entrench.

In chapter two this thesis discussed the economic and political turn towards financialization in the United States, starting with the creation of the mortgage-backed security and the end of the savings and loans industry in the late 1980s. At the same time there were significant political developments: the declining power of organized labour and the political decision to turn the Democratic Party away from its relationship with labour and towards neoliberalism and financialization. This set the stage for the steady rise in the economic significance of consumer debts in the driving of the American economy in the 1990s and the emergence of securitization as a dominant force in the country's home financial markets. The turn towards deregulation of financial markets and securitization drove mortgage lenders to aggressively target the redlined Black neighborhoods of Cleveland. Economically impoverished and historically denied access to housing finance, many in these neighborhoods eagerly attempted to take advantage. Many found they were the targets of predatory subprime lending by lending institutions, incentivized by friendly regulators and politicians to aggressively market exploitative financial products to vulnerable populations. This change in practice was the fundamental argument of this thesis in chapters one and two: that these changes constituted a significant shift in the relationship between mortgage lenders and other financial institutions on one hand and with the redlined Black neighborhoods of the Cleveland East End on the other. Instead of being oriented around the idea of exclusion from credit markets and imposed scarcity, these institutions now preferred a reversal of this trend, orienting themselves around inclusion and credit abundance, predicated on the predatory nature of this relationship.

The effects for Cleveland were devastating: with foreclosures rising through the late 1990s and into the 2000s, climaxing in the late 2000s. The mania of the housing bubble drove financial markets to pull in more and more vulnerable people into its scope. Increasingly illicit and illegal practices become prevalent in the financial system, such as the practice of passing off subprime mortgages as AAA-rated securities and bonds. In the middle of the 2000s the subprime loans pushed onto so many vulnerable borrowers could not hold up the rest of the edifice and the global financial system crashed spectacularly in 2008 as foreclosures rose across the United States. With the crash came significant political changes, principally the election of the country's first Black president and Barack Obama's unsuccessful handling of the foreclosure crisis, and the political shift on the American right towards reactionary populism in the early 2010s.

Chapter three discussed the second primary argument of this thesis which was that the city's East Side saw significant demographic changes after the bursting of the housing bubble. The most important among these changes was the devastation of the city's East Side Black neighborhoods and suburbs. This led to the depopulation of the East Side and a combination of white flight and back filling that has substantially altered the racial demographics of the suburbs, driving increased poverty and racial tensions. In the case of some suburbs such as Euclid the housing bubble helped make them majority-Black cities; while in the cases of Lyndhurst and South Euclid it has greatly diversified their racial compositions from what they had been. As the foreclosure crisis deepened the devastation of the East Side also drove increasing reliance on strategies such as demolition to attempt to prop up bottomed out home prices, leading to a continuation of the region's experience of lost housing driven by disinvestment and redlining. This reflected a post-bubble return back to exclusion and credit scarcity, driven in part by the national turn towards austerity economics in the early 2010s. This was also expressed locally by the emergence in the tail end of the foreclosure crisis of urban agriculture in Cleveland, a practice that attempted to make productive use of the vast quantity of vacant lots left where these neighborhoods' houses used to stand.

* * *

When the Financial Crisis occurred in 2008 I was twenty one years old, aimlessly attempting to finish my undergraduate degree. While there had been defining world events in my life, such as the September 11th terrorist attacks in 2001 and the lead up to the beginning of the Iraq War in 2003, the Financial Crisis was the first time that I felt engaged in the moment. That summer I had paid extremely close attention to the presidential election in the United States and watched as it was steadily becoming clear that the United States was about to elect a Black man as president, a moment I increasingly felt over the summer would be potentially redefining to American history, almost revolutionary. As that moment approached, in September of 2008 it suddenly felt like the world was imploding. The bickering of political pettiness that I saw on MSNBC and CNN was made almost immediately irrelevant, made so by the mortal potential of the moment. While politicians managed to eventually calm things down the crisis did not simply go away. It continued with the millions of people who lost their homes, needlessly. Cleveland was devastated by the housing bubble and the foreclosure crisis. Its people were abandoned and then made scapegoats for the crisis by the right.

In arguing this thesis the notion of reverse redlining is important because in our modern, financialized, neoliberal political landscape the potential is always there to repeat the experience of the housing bubble. The financial institutions that preyed on vulnerable people did so arguing that their involvement was altruistic, and that involvement was vouched for by captured politicians and regulators who often said and guaranteed the same. This thesis is argued about past events, but I hope that it does not mirror future ones.

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